The ethics of British election, Page 17

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World news

French cabinet crisis averted

A cabinet crisis in France was averted yesterday after Mr François Léotard, the Minister of Culture and leader of the free market Parti Républicain, announced to his party congress that he would not resign his post as minister.

The move was welcomed by Mr Jacques Chirac, the French Prime Minister, who had earlier last week called on Mr Léotard to choose between his functions as minister and party leader.

Although the emphasis was on conciliation, the quarrel is seen to have weakened the government by leaving a legacy of distrust between Mr Chirac's neo-Gaullist RPR party and the other members of the coalition. Page 2

Lebanon bombing

An Israeli soldier was killed and two others wounded when a roadside bomb exploded alongside their patrol in Israel's self-declared security zone in southern Lebanon.

Bulgarian visit

Soviet Foreign Minister Eduard Shevardnadze will visit Bulgaria later this month, when he is expected to inform Communist leaders about the Kremlin's drive for social reconstruction.

Pope in Poland

Solidarity leader Lech Walesa denied official claims that his movement plans to disrupt the Pope's third visit to Poland, which begins today. Page 3

Squatters run riot

Sixteen police and one fireman were injured when 150 squatters ran riot in the West German city of Freiburg, setting cars on fire, smashing windows and erecting barricades.

Thatcher confident

British Prime Minister Margaret Thatcher is confident of winning a record third consecutive term in Thursday's general election, despite a strong challenge from Labour leader Neil Kinnock. Page 18; Campaign reports, Pages 12, 13

Fatal fire in Tokyo

Seventeen people aged between 71 and 93 died and 27 were injured in a fire at an old people's home in a Tokyo suburb.

Bavadra in Britain

Ousted Fijian prime minister Timoci Bavadra arrived in London seeking support for his reinstatement campaign from Britain and from the Queen, head of state of the Pacific island nation. Page 5

Soviets leave

A limited withdrawal of Soviet troops from Mongolia has been completed with the pullout of one motorised rifle division and several units, the Soviet Defence Ministry said.

Turks attacked

Kurdish guerrillas attacked and seriously wounded 11 Turkish truck drivers in a convoy heading through Iraq.

First lady's crusade

Nancy Reagan, wife of the US President, takes her anti-drugs crusade to Sweden today on a visit that will include a meeting with the widow of murdered prime minister Olof Palme and a look at a home for drug-addicted mothers.

Out of the lions' den

Game catcher Mike Oosterlaak emerged unharmed after spending 64 days and seven hours in a lions' cage to raise money to buy two gorillas for a zoo north of Johannesburg, South Africa.

Moroccan marriage

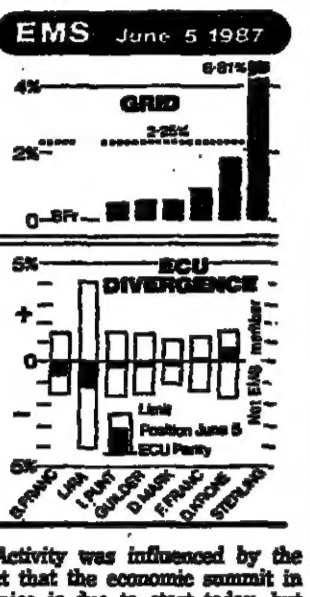
Foreign royalty joined tens of thousands of Moroccans thronging the city of Marrakesh for the lavish wedding of one of King Hassan's daughters and 250 other brides. Page 2

Business summary

US Bell group enters UK market

SOUTHWESTERN BELL, one of seven companies spun off from American Telephone and Telegraph in 1984, is to enter the UK telecommunications equipment market. Page 18.

EUROPEAN Monetary System: Currencies showed few changes during the week. With the dollar finishing little changed against the D-Mark, the Belgian franc stayed sufficiently steady to allow a small cut in short-term Treasury bill rates on Friday.



Activity was influenced by the fact that the economic summit in Venice is due to start today, but traders were afraid that a lack of agreement might prompt another dollar decline, and so increase the pressure on weaker members of the system.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

STOCKHOLM'S stock exchange is to fine four Swedish companies, including Saab-Scania and Alfa-Laval, for breaches of listing regulations. Page 30

GENERAL MOTORS Continental is to spend BFr 2.8bn ($74m) over the next year to modernise and upgrade its Belgian production facilities in Antwerp. Page 19

NORWAY'S minority Labour Government plans new laws to regulate the Oslo Stock Exchange, reflecting concern about insider trading and volatility caused by short-term trading. Page 29

US SECURITIES and Exchange Commission is considering easing a rule on the distribution of foreign securities in the US, in a move which could have a significant effect on the international equities and Eurobond market. Page 20

A LLOYD'S of London marine insurance syndicate has had to provide for possible losses of £248m ($406m) over the next 20 years for claims arising from asbestosis and pollution in the US. The 1,458 people who belonged to the syndicate in 1982 have been asked to contribute £10.27m now to bolster reserves. Page 18.

WELLCOME FOUNDATION, UK drugs company, launches a court action today in a effort to overturn the granting of British patent to Genentech of the US for making TPA, a clot-dissolving drug. Page 10.

SUDAN has postponed until next month talks with the International Monetary Fund due this week, to allow its parliament to ratify the budget.

LIBYAN ARAB Foreign Bank is claiming about $300m from the London branch of Bankers Trust Company of New York in a court action due to start today. The case arises from US sanctions imposed against Libya in January 1986. Page 11

Leading industrial nations will focus efforts on closer currency co-operation

Venice summit to stand by pledge on stable markets

BY STEWART FLEMING, PHILIP STEPHENS AND JOHN WYLES IN VENICE

LEADERS of the seven leading industrial nations will this week reaffirm their governments' commitment to promote stability on foreign exchange markets and to strengthen economic co-operation.

The three-day annual economic summit which starts later today is not expected, however, to bring any major new policy initiative to underpin that commitment.

Instead, the leaders of the US, Japan, West Germany, France, Britain, Italy and Canada will receive a report from their finance ministers detailing the progress made in enhancing co-operation since last year's summit in Tokyo.

Officials involved in preparations for the talks said the report endorsed February's Paris accord between finance ministers, in which they pledged to seek currency stability by closely co-ordinating their economic policies.

The heads of state and government are expected to approve that report and to call on the finance ministers to refine the use of economic performance indicators. The indicators are aimed at ensuring that national policies remain compatible with more balanced growth in the world economy.

The officials said the US appeared to have dropped its previous insistence that the indicators be given added force as targets rather than forecasts in the face of opposition from Britain and West Germany.

Mr Nigel Lawson, Britain's Chancellor of the Exchequer, said last week that the indicators, which cover a range of variables from growth rates to trade balance and exchange and interest rates, "had not been fully thought through."

Mr James Baker, the US Treasury Secretary, however, will be able to cite the commitment to develop them further as evidence that the US is winning its battle to establish a more formal framework for economic co-operation.

Despite the recent slowdown in world economic growth, the summit's final communique is likely to be relatively upbeat in its assessment of economic prospects. Governments believe that it is crucial to restore confidence in the outlook to prevent the slowdown turning into a recession.

West Germany, however, is likely to face strong, if discreet, pressure from several of its allies to do more to stimulate its economy, Japan's recently announced package of sti-

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Mr James Baker

ON OTHER PAGES

Wave of prosperity eludes gondolieri

By John Wyles in Venice

AS A "tide in the affairs of men" of the kind to which Shakespeare once alluded, the world summit opening in Venice this evening is certainly as technically demanding and physically dislocating as any of the aquatic variety which have swept over the Serenissima during its long history.

It does, however, bring profit and international publicity in its wake which is why most Venetians have been prepared to put up with the inconveniences posed by the presence of 7,000 police and army, "no go" areas on land and water and a general raising of the level of officiousness.

Only the gondolieri have been seriously alienated: they cannot ply their trade around St Mark's square and the lagoon and, to judge by their complaints, their entire seasonal earnings could be wiped out by the loss of four day's freedom of navigation.

Venice is already a veteran in the summit business, having hosted the 1980 version. Since then, however, the quest for total security for the heads of state and government involved has become ever more desperate.

Naturally the most illustrious hotels have had to be commandeered: the Gritti which houses Mrs Margaret Thatcher and Mr Jacques Chirac, her French counterpart, the Danielli hosting Mr Helmut Kohl, the West German Chancellor, Mr Yasuhiro Nakasone, Prime Minister of Japan, and Mr Brian Mulroney, the Canadian Premier.

Above all there is the Cipriani, President Ronald Reagan's quarters, where hour-glass blondes in designer swimsuits have made way for less picturesque and rather more bulky presidential guards.

President Reagan himself should reach Venice today reasonably in the pink. After arriving in Italy just before midnight last Wednesday, he has hardly strayed from the svelte luxury of the Villa Condulmer, about 10 miles from Venice.

He has taken in the odd pre-summit briefing, watched video films, strolled the grounds with Nancy and dined on food flown in specially from the US for attention by 10 travelling White House cooks.

The Reagans made a brief sortie on Saturday but the early summer calm of Rome was barely disturbed by Mr Reagan's 55-minute private audience with the Pope

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India tells Sri Lanka to stop bombing raids

BY JOHN ELLIOTT IN COLOMBO

INDIA has told Sri Lanka that it should not conduct any more air strikes and bombing raids on the northern Jaffna Peninsula during offensives against Tamil extremists who are fighting for some form of independence in the north and east of the island.

This is the explicit message given by India following its dramatic assertion of military supremacy over its tiny neighbour last week when five Indian transport planes, escorted by four Mirage jet fighters, invaded Sri Lankan airspace and dropped relief supplies to Tamils in Jaffna.

Meanwhile reports were circulating last night in Colombo that a massive demonstration by members of the ruling United National Party today planned to burn down a new Indian High Commission building being constructed in the capital. According to diplomatic sources, India was assured last night by Mr Abdul Hameed, Foreign Minister, that full protection would be given to all Indian nationals and property.

Two defence establishments on the outskirts of Colombo were attacked early yesterday morning by extremists from the island's majority Sinhalese community who have been posing a new threat in recent months to the country's stability. Three extremists and one sentry were killed and arms were stolen.

The extremists belong to the Janatha Vimukthi Peramuna (JVP), or Peoples Liberation Front. It is a proscribed Marxist-based revolutionary group seeking a new political base among the island's majority Buddhist community to exploit frustration over the government's handling of the Tamil issue.

India's invasion of Sri Lankan air space last week followed a large scale operation by Sri Lankan government forces against Tamil extremists in Jaffna. During the past few days this offensive has been reopened, in an attempt to link two government held areas. But this has caused serious concern in India because of unconfirmed reports that air strikes and bombing missions were also resumed, causing widespread civilian deaths. There are fears in New Delhi that it might herald the start of another full scale offensive.

Meanwhile talks have started between the two countries on India supplying more relief aid through official channels.

Despite last week's events and India's attempt to dictate terms for offensives against the Tamils, there are signs that Sri Lanka's Foreign Ministry wants to rebuild its relationship with its large neighbour which for the past three years has been operating as a mediator on the Tamil issue.

Theft shows flaw in UK securities trade

BY CLIVE WOLMAN IN LONDON

ABOUT £500,000 ($812,000) worth of bearer securities mailed from Switzerland to a City of London merchant bank were stolen from a central London post office and sold through a Channel Islands stockbroker to other City securities firms.

The thieves disappeared with about (£400,000) of the proceeds of the sale before the police froze the assets.

The theft has highlighted the security risks created daily in the City of London by the physical transfer of millions of pounds worth of easily encashable bearer securities.

On March 12, the Swiss Bank Corporation in Geneva posted to Warburg Securities in London some 70,000 deferred bearer shares in De Beers Consolidated Mines, the South African mining company. The shares had been sold to Warburg for a price of slightly more than $750,000. The parcel containing the bearer shares was registered with the postal service but, apparently, no other security measures were taken.

The package was in transit in a large bag containing a wide variety of items which was stolen from the main King Edward Street post office in the City of London. The bag also contained two other packages with bearer shares in much smaller amounts, in one case about £10,000 worth.

City of London fraud squad officers believe the theft was opportunistic rather than the work of a sophisticated team. They also believe the bearer shares were removed and sold to a "fence" who then approached a stockbroking firm in Jersey. He was introduced by a client of the firm and said he had recently inherited the shares. The

Continued on Page 18

ICI poised to buy 50% of European seed group

BY ALAN FRIEDMAN IN MILAN

IMPERIAL Chemical Industries (ICI), the leading UK chemicals group, is in an advanced stage of negotiations to buy a 50 per cent stake in one of Europe's biggest seed producers, Société Européenne de Sémences.

The stake in the Brussels-based company is held by Ferruzzi, the Italian agro-industrial group.

ICI and Ferruzzi are also understood to be discussing possible collaboration agreements in the agro-industry sector, especially joint research projects.

On Friday ICI agreed to pay $1.69bn for Stauffer Chemical, a US agrochemicals group acquired by Unilever last December, bringing ICI from sixth to third in the world agrochemicals market.

SES is the biggest seed producer in France and also has operations in Italy and Spain. A price of around £50m ($82m) is believed to be being discussed for the Ferruzzi stake. The other 50 per cent of SES is controlled by investors in Belgium.

Agreement could be reached within the next fortnight. Neither Ferruzzi nor ICI, which is believed to have made the initial approach, would confirm the talks yesterday.

Seed breeding is seen by ICI as an important part of its strategy for both agriculture and biotechnology in the next century. The group has been pushing into the world market for the last two years, both through a £17m research programme concentrated in the UK and through several acquisitions, the largest to date being Garst Seeds in the US, bought in 1985 for an estimated £80m.

Ferruzzi yesterday pointed to ICI's purchase of Stauffer as proof of the "validity" of its own strategy of having bought control of Montedison (the Milan-based chemicals concern) and of developing a combined agro-industry and chemicals portfolio.

The Italian company sees ICI as a chemicals group which is interested in developing its agro-industrial holdings while it, in contrast started from an agro-business base and is developing its holdings in the chemicals sector.

Ferruzzi, Europe's biggest sugar processor and the largest cereals traders, has spent around $1.7bn to build up a 40 per cent equity stake in Montedison, which under Italian convention gives it control. Its total revenues last year were about $7bn (Montedison's 1986 turnover was about $10bn).

The company agreed 10 weeks ago to pay $630m to acquire the European corn-starch and glucose operations of CPC International, the US grocery products group.

European steel plan will urge output control to replace quotas

BY WILLIAM DAWKINS IN BRUSSELS

THE FINAL details are starting to emerge of a far-reaching three-point plan for the future of the European Community steel industry, due to be adopted by the European Commission by July 15.

The scheme, being worked on by Mr Karl-Heinz Narjes, the industry commissioner, with Mr Peter Sutherland, the competition commissioner, will include a completely revamped system of output controls to replace the present quota arrangements after they expire at the end of the year.

New financial incentives will aim to encourage the closure of more surplus capacity, now running at around 30m tonnes according to Commission estimates. There will also be proposals to alleviate the social hardship that will come from such shutdowns. Job losses will be huge; the Commission estimates that, even if it did nothing to hasten further closures, steelmakers' existing plans for cutbacks would put at least 80,000 people out of work in the next three years.

The scheme is being drawn up as a result of the failure of attempts by Eurofer, the "club" of 22 big integrated steelmakers, to agree enough voluntary cuts to bring capacity in line with flagging demand. Eurofer had been arguing for the production quota system, introduced in 1980, to be extended for a further three years. The Commission, which was initially sceptical about Eurofer's claim that demand was still too weak for its members to be exposed to a free market, is now becoming more sympathetic as the prospects for a recovery in steel sales becomes increasingly dim.

The producers have earmarked capacity amounting to almost 15.3m tonnes for closure. That would go only a little over half-way towards restoring market equilibrium. Mr Narjes has accused Eurofer of deliberately delaying any decision on scrapping remaining quotas, and Commission plans to end quotas for three products – wire rod, light sections and merchant bars – by the end of last year have had to be put on ice.

Eurofer itself is far from united. Its internal negotiations are thought to have broken down because of the refusal of efficient producers like British Steel and Hoogovens of the Netherlands to offer cuts. Eurofer's official explanation is that it could sacrifice no more than the 15.3m tonnes it has so far identified without governments' help.

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Lee Kuan Yew, Singapore's Prime Minister, talks to Steven Butler, Page 8

OVERSEAS NEWS

Hollywood glamour for Morocco's royal day

By Andrew Whitley and Francis Ghiles in Marrakesh

MOROCCO'S royal wedding of the year, a three-day extravaganza which ends here tonight, has been a *golden opportunity for a bevy of* unemployed royalty to gather at one of their favourite watering holes – *and for an unexpected olive* branch from Libya to King Hassan II, the shrewd Moroccan monarch.

Heads of fashion houses patronised by His Majesty mingled with less famous scions of former royal *houses of* Europe and the Middle East at a public event which owed much to Hollywood and little to Islam.

What has given the 350-year-old Alouite dynasty in Morocco its staying power *has* been *the claim* to direct descendency from the prophet Mohammed. King Hassan is thus *venerated as* both *a temporal and a* spiritual ruler.

But the elaborate pageantry staged in Marrakesh on the occasion of the marriage of Princess Lalla Asmaa, the king's daughter, to a wealthy commoner had some experts shaking their heads in doubt over its authenticity.

As tribal horsemen galloped up and down the dusty esplanade, firing into the air, gilded visitors with well-fed tans soaked up the hot sun at the luxurious La Mamounia Hotel nearby.

Heading the list of the king's friends were ex-King Simeon of *Bulgaria* and Prince Fouad, son of the late King Farouk of Egypt.

Of more practical significance for a country whose foreign reserves are virtually non-existent, *flanking* King Hussan on the royal *dais* at Saturday's opening ceremonies were the oil potentates: Sheikh Zayyid bin Nahayyan, President of the United *Arab Emirates*, and *Prince* Abdullah al-Faisal, the Saudi Minister.

The surprise of the show was the unexpected presence on Saturday of a personal representative of Libya's Colonel Muammer Gadaffi. The Libyan leader had taken umbrage when King Hassan suddenly reversed his earlier agreement to merge their two countries in pan-Arab unity. However, in a gesture of goodwill, Col Gadaffi despatched his daughter, Aisha, to the celebrations in Marrakesh.

Léotard acts to avert French cabinet crisis

BY DAVID HOUSEGO IN PARIS

A CABINET crisis in France was averted yesterday after Mr François Léotard, the Minister of Culture and leader of the free market Parti Républicain, announced to his party Congress that he would not resign his post as minister.

The move was welcomed by Mr Jacques Chirac, the French Prime Minister, who said that the cohesion of the Government should come before "partisan preoccupations and premature electioneering."

The Prime Minister had earlier last week called on Mr Léotard to choose between his functions as minister and party leader in a public statement that provoked a five-day conflict within the Government.

Although the emphasis yesterday was on conciliation, the quarrel is seen to have weakened the Government by leaving a legacy of distrust between Mr Chirac's neo-Gaullist RPR party and the other members of the coalition, including the Parti Républicain.

Indicative of this distrust is the fact that Mr Jacques Toubon, Secretary General of the RPR, was asked by Mr Léotard and his colleagues not to attend the 10th Congress of the party over the weekend.

In his speech, Mr Léotard declared both his intention to remain a minister and to hold on to his *freedom of speech* as party leader. Mr Chirac claimed he had overstepped the latter by announcing that he would not support the Prime Minister in the first round of the *presidential* election in *May* and by derogatory remarks about the RPR.

Mr François Léotard: rebuked

Mr Léotard said he would not take responsibility for provoking a crisis in the Government that would rebound to the favour of President François Mitterrand. He also made clear he would not allow his party to be silenced or reduced to a subservient role in the coalition.

Ministerial colleagues said that as late as Thursday Mr Léotard was still determined to resign in protest *at the public rebuke delivered him* by Mr Chirac.

Irish hospital services hit by doctors' strike

BY HUGH CARNEGY IN DUBLIN

A STRIKE by junior hospital doctors has severely disrupted hospital services in Ireland in the second public service *strike* faced by the Fianna Fail Government since it introduced an austere, cost-cutting budget in March.

About half the country's 1,800 junior doctors started indefinite strike action on Saturday, affecting about 30 out of 80 hospitals, to protest against plans to cut about 200 jobs under a programme of spending cuts in the health service.

Consultants provided emergency cover but routine admissions and non-essential out-patient services were cancelled in many hospitals.

Dr Rory O'Hanlon, the Health Minister, called for an immediate return to work. The doctors say they are not against the spending cuts but they should not be made through cuts in medical staff.

Drive to deregulate US banking stepped up

By James Buchan in New York

THE US Administration favours letting industrial companies acquire commercial banks, as part of a drive to improve the competitiveness of the US banking system.

This was sketched in a newspaper interview yesterday by Mr George Gould, a Treasury Under-Secretary. It is one of a *host of current ideas to ease* restrictions on the US banking industry and open access to new sources of capital.

These initiatives, which have been stalled in Congress, are *widely expected to receive new* impetus through the nomination last week of Mr Alan Greenspan, a proponent of bank de-regulation, as chairman of the Federal Reserve Board.

In an interview with the New York Times yesterday, Mr Gould said he was in favour of creating five to 10 very large banks that could match in size the biggest ones in Japan and western Europe. "People are going to have to accept that some big American financial *institutions* will need more capital to be competitive," he said.

Commercial bankers complain that legislative hindrances have destroyed the dominance of US financial institutions, so that only Citicorp and BankAmerica are now among the largest two dozen banks. Regulators have also been concerned that restrictions on banking have led to a *deterioration* in the quality of *their loans*.

The main restrictions arise from the Glass-Steagall Act, which keeps banks out of the *securities* business, and the Bank Holding Company Act, which bars non-banks from *owning* banks. Inter-state banking is restricted by many laws at *state* level.

A Senate Bill to allow the expansion of the commercial banks into underwriting securities was recently shelved for the year. However, the pressure for de-regulation is expected to increase with Mr Greenspan succeeding Mr Paul *Volcker*, who was sceptical about changes in the law and opposed to bank ownership by non-banks.

Alan Friedman reports from Bolzano on a sideshow to Italy's election

Tensions run high in the Dolomites

ITALY'S general election campaign has witnessed numerous exchanges of insults, but only one region of the country has seen a series of terrorist bombing and shooting attacks.

The violence has come to the otherwise bucolic South Tyrol (in Italian Alto Adige) region in the *Dolomites*, a semi-autonomous and largely German-speaking province which passed from Austrian to Italian rule at the end of the First World War.

The politics of South Tyrol are made of extremes, with the majority of the German-speaking population supporting the regional government headed by the Sued Tirol Volskpartei (SVP), a German ethnic party *which has 63 per cent of the* local vote as well as three MPs and three senators in the Rome parliament.

The strongest Italian party, meanwhile, is the neo-fascist MSI, which is the biggest party in the capital of Bolzano with 22 per cent of the vote. Some 279,000 of the South Tyrol population of 430,000 are German-speakers, and besides the Italians there is also the *Ladino community*, the *ethnic* group similar to the Romansch in Switzerland, which accounts *for 5 per cent of the region's* population.

The Italian South Tyrol is not like the Fourons in Belgium or other examples of Europe's troubled linguistic enclaves. Here the most extreme German separatists still want to be re-annexed by Austria or to form the "Free *State of South Tyrol*". Here the leader of the Italian neo-fascists, Mr Andrea Mitolo, speaks of Mussolini as "a great man".

One first becomes aware of the cultural divide as the train glides through the lush valleys north of Trento, along the fabulous passes of the Dolomites.

As the hand-tended countryside becomes ever more spectacular the architecture of the houses perched up in the foothills changes from rustic northern Italian to a decidedly more Alpine form.

Bolzano, a town of low-pitched Tyrolean arcades and Gothic structures, certainly has the character of a German rather than Italian town.

In the 1920s and 1930s Mussolini acted to Italianise South Tyrol by abolishing German as the official language and building up industry with *Italian-speaking immigrants*, mainly from the south.

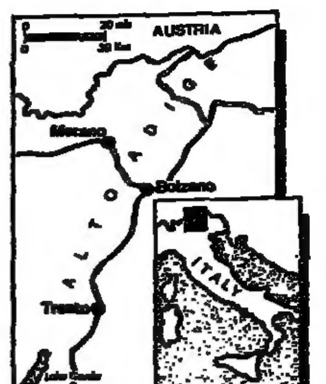
In 1946 Alcide de Gaspari, *the first Prime Minister of the* Italian republic, who began his political career as a deputy in the *Vienna parliament*, agreed in a treaty to give the German-speakers back their rights.

It took until 1969—after a decade of terrorist bombings and assassinations by German separatists—for Rome to agree a package of autonomy measures, including strict apportionment of public sector *jobs between the linguistic* groups.

The leader of the SVP, the charismatic *73-year-old* Dr Silvius Magnago, who has been president of the Alto Adige assembly since 1960, insists that not enough has been done *for his people*.

Th neo-fascists say too much has been done and that the Italians have become second-class citizens.

Dr Magnago, *who lost a leg* while serving in Hitler's army at the Russian front, says "The *Craxi government did nothing* for us, and so there will always be people who feel the democratic process accomplishes nothing and thus choose violence."



He condemns the use of violence and says he has no idea who was behind last week's six terrorist attacks, which included bombings at Carabinieri barracks, sabotage *of railway lines* and *the firing* of machine-guns at an Italian housing project.

An historic figure *in* South Tyrol, the white-haired Dr Magnago sits in his Bolzano *office trembling and twitching*, raising his voice to a shout with every other sentence.

"I will say one thing," he screams across the table. "These terrorist attacks only help to polarise the situation here and this helps *the neo-Fascists* to win votes."

With tensions running high in the area — dozens of Carabinieri checkpoints dot the roads. Conspiracy theories abound. *The attacks, according* to some officials, come from German and Austrian terrorists who are based in Innsbruck. At the site of the bombings leaflets in German were found proclaiming "Los von Rom" (Away from Rome).

Mr Hans Stieler, the president of the extremist German-speaking faction, the Heimatbund, protests that "these attacks *have nothing* to do with us."

Mr Stieler, who served three years in prison after his conviction in 1957 for blowing up a railway line and a hydro-electric plant, *says last week's* terrorism was designed to help the MSI vo?e and "to stop us being awarded our just *right* to self-determination under the UN charte."

The 61-year-old Mr Stieler, in common with more moderate local politicians and officials interviewed, spoke openly of the possibility that the Italian intelligence services may have been involved in last week's bombings.

This is not as far-fetched as it may sound. Italian courts *have investigated* several cases of far-right terrorists being supported indirectly by members *of Rome's secret services. In*deed it is remarkable that in this tiny region the Italian state has been unable to root out the terrorists, who must be locals because of their knowledge of the terrain.

In the nearby village of Lana, said to be a den of German separatists, Mayor Franz Loesch claims: "the secret services want to reinforce the nationalist Italian position in the region." *He suggests* that Rome "should investigate its own security forces."

And so, while German tourists wander about the foothill of the Dolomites, the general election campaign *here has become* a super-charged contest between the German and Italian ethnic communities. In this strange and beautiful corner of central Europe traditional Italian parties such as the Christian Democrats or Socialists are simply irrelevant.

Long haul likely for Brazil's debt negotiations

BY PATRICK BLUM IN VIENNA

NEGOTIATIONS between Brazil and its leading bank creditors on a new financial package for the country will "*take* months rather than weeks," Mr Robert Frick, an executive director of BankAmerica *corporation, said in* Vienna.

Mr Frick described as a "non-event" reports that Brazil was offering to pay back half its due interest in return for the refinancing of the remaining half. The key to solving Brazil's debt problem was "not what was said to the press a few days ago, but what they (the Brazilian Government) actually do. They have to put forward a plan," he said.

The Brazilian economy had to be set right to make it possible for the country to repay *its debts, he argued.* Transferring some of the debt into equity "was part of the solution and *it ought to be done.*"

Brazil suspended payments on $68bn (£42bn) of medium and long-term debt to banks in February following a sharp *deterioration in its trade* position and a gathering crisis at home.

Mr Frick said that his bank had between $7.5bn and $7.8bn in outstanding Latin American debt, including $2.7bn from Brazil.

He said that the bank considered its $2.2bn reserves, representing *3.2* per cent of total loans, as adequate, but left open the possibility that these may *be raised shortly in* response to similar moves by competitor banks.

"We are re-evaluating (the position) right now and I guess that in the next week or two we will come to a conclusion either that the reserves are correct or that they need *adjusting," he said.*

US presses Iran not to deploy missiles

By Stewart Fleming and Andrew Gowers

THE US yesterday intensified pressure on Iran not to deploy Chinese-built Silkworm surface-to-ship missiles n the Strat of Hormuz.

In television interviews at the weekend, both Mr Howard Baker, White House Chief of Staff, and Mr Frank Carlucci, National Security Adviser, stressed that Washington sees the missiles as a threat to freedom of navigation in the Gulf. Mr Carlucci dropped heavy hints that the US would retaliate if its ships were attacked.

Asked whether the US had had any response to the warnings it has sent to Iran about deployment of the missiles, Mr Carlucci said: "It would be inadvisable for any nation to interfere with our shipping and wth our naval vessels, which aref ully prepared to defend themselves."

Iran warned at the weekend that it would strike back at the US, if Washington were to attempt an attack on Iranian territory, but said it was ready to respond to other countries' efforts to end attacks on Gulf shipping.

Hussein Sheikholeslam, Deputy Foreign Minister, said in Vienna: "If the Americans make the mistake of attacking us, we will definitely strike back. If they attack us inside our country, we will attack them inside their country. If they attack our ships, we will attack their ships."

Various Iranian officials have been touring Europe, in the last week, seeking to dissuade Europ:an governments from joining US military moves in the Gulf.

Striking a surprisingly conciliatory note yesterday, however, the deputy minister said Tehranwhich depends almost exclusively on sea routes to export its oil—would welcome mediation by ether countries to end the war with Iraq. He said Iran would not attack shipping if its oil exports were not hindered.

On Saturday, Mr Carlucci disclosed that Iran now has about 20 Silkworm missiles and that another 20 are on the way. He rejected Chinese claims that it was not supplying the weapons to Iran.

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THE VENICE SUMMIT

Tug of war over Bonn's tax plans

David Marsh on pressures to stimulate West Germany's economy

MR GERHARD STOLTENBERG, the West German Finance Minister, has an incongruous habit of beaming when answering awkward questions, although his eyes remain hard.

At the Venice summit, which begins today, both eyes and lips are unlikely to be smiling

Mr Stoltenberg is facing intense pressure from several directions to carry out two contradictory courses of action—both to speed up and to postpone West Germany's package of DM 44bn (£15bn) of tax cuts planned for 1990.

The country's trading partners want more German tax cuts to boost the domestic economy — which has stagnated since last autumn — and to foster world growth.

But regional political leaders, who are commanding ever-growing weight in West Germany's federal power structure, have launched an all-out drive to scale down the tax cuts in order to reduce the drain on local revenues.

The tax reductions, hammered out in February by the centre-right coalition government, are viewed by Bonn as West Germany's contribution to putting the international economy on to a sounder track.

Mr Stoltenberg can be expected to spell out in Venice that the tax cuts — expected to lead to a sharp increase in overall budget deficits by 1990 — represent the "maximum possible."

The excessive delay before the 1990 tax cuts — which will add up to a net stimulus of DM 25bn as DM 19bn of the reduction is due to be financed by cuts in subsidies — has already attracted criticism from abroad.

"All my US friends say what we are doing is right — but why don't we do it now," says Mr Otto Lambsdorff, the former Economics Minister, now economics spokesman for the Free Democratic Party.

In the last few weeks, the Finance Ministry has been advised by the Economics Ministry, under the control of the FDP, to consider bringing forward to 1989 at least half the tax cuts planned for 1990.

Although Bonn plans DM 14bn of tax cuts next year, the Economics Ministry argues that to postpone the next batch until 1990 makes no sense at a time when the medium-term outlook for West German growth and unemployment remains highly subdued.

However, the forces of German federalism are pushing in the opposite direction. The laender, or federal states, together with the roughly 60,000 local communities, or gemeinden, are playing an increasingly important role in public spending—and receive close to 50 per cent of taxes collected throughout the economy.

Mr Stoltenberg has already faced criticism from the laender over falling revenues stemming from next year's DM 14bn planned cuts in taxes. Protests have been led by the more hard-up states under the control of the opposition Social Democratic Party.

But still larger opposition is building up to the 1990 tax proposals. Mr Lothar Spaeth, Prime Minister of Baden-Wuerttemberg and one of the main regional barons in Chancellor Helmut Kohl's Christian Democratic Union, called at the weekend for the 1990 reform to be watered down to avoid undue strains on the finances of the laender and gemeineds.

Mr Kohl and Mr Stoltenberg cannot ignore the federal pressure because the upper house of parliament, the Bundesrat, composed of Laender representatives, has a veto over West German tax legislation.

A combination of sluggish growth and low inflation, which automatically dampen tax revenues, together with Mr Stoltenberg's already-decided tax decreases, has had a sharp impact on public finances.

The central government deficit this year will total DM 26bn, against DM 22bn planned in the 1987 budget, with the overall public sector deficit projected to rise to DM 55.5bn in 1988 and DM 65bn in 1990.

The deficits—and the federal fracas they generate—will grow further if, as expected, Mr Stoltenberg this autumn finds it impossible to reach the necessary coalition accord on cutting subsidies sufficiently to finance the 1990 tax reform.

That could put Mr Stoltenberg in a position where he would have little choice but to shelve completely the 1990 tax package—a prospect which would knock a disastrous hole in the credibility both of the Finance Minister and of the entire West German Government.

Sharks prey on lagoon

By Stewart Fleming

THERE MAY be no sharks in the Venice lagoon, but the reporters covering the economic summit here have found plenty of them in the city itself.

The White House press corps, the first of herds of reporters to descend on the city, were also the first to get bitten. Original White House estimates of the cost of accommodation in Venice, of just over $250 (£153) a night, were quickly overtaken by the reality of hoteliers' determination not to miss an opportunity to improve their profits.

Box rooms at the main hotel of the US press corps, the lavish beach-front Excelsior on the island of Lido, are about the $350 level.

These are bargains compared with close to $300 for the pokey Splendide Swiss, which houses much of the British press corps.

The Splendide is taking no chances that its guests will tire of spending their employers' money—correspondents are required to pay in advance.

Travelling around the islands of the city is also a financial adventure. Most of the television crews, needing to move quickly, have rented flotillas of what Venetians call taxis at prices of up to $1,000 per 12-hour day.

Poles entertain few illusions as Pope starts third visit

BY CHRISTOPHER BOBINSKI IN WARSAW

THIS MORNING as the jet carrying the Pope on this third visit to his native Poland lands at Warsaw airport millions of his fellow countrymen will be wondering what the seven-day tour will bring.

The first visit in 1979 soon after his election was simpler. The elation and pride that Poles still feel at his election was fresh. The energy he helped to generate among the millioned the fall of Mr Edward Gierek the then party leader in the mass strikes a year later. They also produced the Solidarity free trade union.

Martial law

On the second visit in 1983 the Pope came to what was still in effect martial law Poland. Solidarity had been crushed. The Pope came to tend to the nation's battered morale and the people wondered whether he might not be able to claw back some of the freedoms lost that bitterley cold night in December 1981 when Polish army tanks rolled into the cities.

This time there are few illusions. The crowds will still be there at the services to listen intently to the Pope's sermons. But the apathy that has dominated the post-martial law period is still strong.

In 1983 the Pope left Poland after a second unscheduled meeting with Gen Wojciech Jaruzelski. What the two men said to each other remains a secret but it seems safe to assume that the Polish party leader assured the Pope that he intended to continue with economic reform and a measure of democratisation. If that was indeed the case little has been achieved thus far, save one important act last autumn—the freeing of virtually all the country's political prisoners.

Since that meeting church-state relations also went through a crisis when Father Jerzy Popieluszko the pro-Solidarity priest was murdered in the autumn of 1984 by four senior security policemen now serving long pirson sentences. The murder was preceded and followed by official pressure on the church to drop the de facto sanctuary it was providing to a wide range of cultural and quasi-political activities banned elsewhere. Gen. Jaruzelski also failed to deliver on his promise to go ahead with the church's Western aid to agriculture scheme which Cardinal Jozef Glemp, the Polish Primate, had set his heart on and which he finally dropped exasperated at the Government's procrastination.

Concerted effort

The Polish authorities have made a concerted effort to ensure that the sympathy that people still feel for Solidarity should not be demonstrated during the trip. Despite church assurances that only religious banners will be tolerated at the services and threats by security chiefs that activists planning to disrupt the trip will be detained, Solidarity will still make a show for its Pope. And the Pope who is to meet Mr Lech Walesa in Gdańsk will no doubt be receptive despite the doubts that Cardinal Glemp has about the wisdom of continuing to demand a legal role for the movement.

Edward Mortimer assesses US-European efforts against terrorism

The hidden defenders make progress

AS IN TOKYO last year, terrorism and the struggle against it will be high on the agenda of the seven-nation Western summit which opens in Venice today, but will be discussed in a much improved atmosphere.

Governments on both sides of the Atlantic believe that international solidarity and effective co-operation against terrorism have made significant strides in the last 12 months—symbolised by the meeting of Interior Justice ministers in Paris on May 28.

This was the first such meeting held by the seven summit countries, who were joined by the current and incoming presidents of the European Community—Belgium and Denmark.

The Americans, who were represented by Mr Edwin Meese, the Attorney-General, are particularly pleased about it because they have hitherto been kept on the fringes of European co-operation in this matter, which has been conducted mainly through the "Trevi group", whose membership is co-extensive with that of the EC although technically unrelated to it.

They are especially pleased that the initiative was taken by the French, who not long ago were opposed even to discussing terrorism at what are still nominally "economic" summits.

The meeting was convened by Mr Charles Pasqua, the French Interior Minister, with less than 10 days' notice. Despite this all nine participants, except Denmark, were represented by cabinet ministers — including Mr Douglas Hurd, the British Home Secretary.

The Americans would dearly like to see such meeting become regular events. Indeed, most of the time the latest one is said to have been devoted to the organisation of future meetings.

What exactly was decided has been kept a close secret. In the words of Mr Gerhard Siegele, head of the anti-terrorism division of the West German Interior Ministry, "The parties decided not to publish a communique, but to inform only their heads of state and of government, so that they can discus the results next week in Venice."

He added, however, that he would be satisfied if the summit simply confirmed the results of the Paris meeting.

Mr Francois Mitterrand, the French head of state, is said to have been privately displeased at being bounced in this way by Mr Pasqua and to be opposed to any changes in the statement on terrorism already drafted for the sumit by the "sherpas" the officials reputed to prepare the agenda.

But it is hardly possible for him openly to oppose an initiative taken by his own Interior Minister and thus expose to France's allies the awkwardness of the bicephalous "cohabitation" of opposing parties on which its present government is based.

Since Mr Pasqua is known to be keen to hold further meetings, it is quite possible that a decision to do so will be approved at the summit, though it will probably stop short of instituting them as a regular or permanent forum.

On the practical level the intensification of bilateral co-operation between European countries has been more important, so far, than the multilateral meetings. It has been particularly intense between France, West Germany, Italy and Spain.

The French and West Germans, who signed a bilateral treaty on the subject two months ago, are especially pleased with the results of their joint investigation of pro-Iranian Islamic groups, following the arrest in January at Frankfurt Airport of Mr Mohammed Ali Hamadei, who was caught trying to smuggle explosives into Germany but is also suspected of involvement in the 1985 TWA hijacking.

Mr Hamadei's brother, Abbas, was also arrested, and a large cache of explosives was found near his home in the Saarland, near the Franco-German border.

Subsequent investigations led to the arrest of a large network of pro-Iranian activists in France, who are suspected of involvement in th ewave of bombings which swept Paris last September—and which explains, at least in part, the new seriousness of France's approach to international terrorism.

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INSIDE CORPORATE STRATEGY

Neste:

Projects in the Pipeline

Neste Corporation has energy to spare. Set up to be Finland's national oil company, it has become Scandinavia's largest oil refiner and a leading European producer of raw materials for the plastics industry.

"*Growth is not an end in itself,*" says Chief Executive Jaakko Ihamuotila. "Our target is improved profitability." Among his ambitious plans is a natural gas network for the whole Nordic area.

By Patrick Humphreys, Nordic Communications Corporation


Neste's Ihamuotila: New fields for energy

In terms of 1985 turnover Neste was the second largest company in Finland and Scandinavia. The oil price collapse has taken it down a peg or two since then but CEO Jaakko Ihamuotila insists: "This does not mean that the company is performing worse than before.

"The reduction in turnover had no effect on Neste's good operating profit last year," he adds. "Our Oil International Division performed particularly well, as did Chemicals, and our financial standing remains high. Since the company has virtually no crude oil production of its own, the price fall can only be to our advantage." Oil refining and trading make up 80% of Neste's turnover.

The full share capital of the company is owned by the state, but this has had no effect on its motivation towards profit making. In one area it does have a protected position: fuels for transport are subject to import licensing "but all our other oil products are subject to competition, either from other importers or other forms of energy."

Stopping the trade gap

The reason for import licensing is the country's bilateral trading agreement with the Soviet Union, which calls for imports and exports to be in long-run equilibrium. Both sides have been keen to keep trade at a high level. The USSR has been particularly interested in Finnish engineering and other investment goods, while the Finns have tried to buy as much Soviet crude as they can use.

And sometimes more: slumping oil prices have pushed trade seriously out of balance, requiring urgent stop-gap measures. Under a new agreement signed in April, Neste may buy up to 4.5 million extra tons of crude, to be resold to third countries. Trading oil will make up 20% of Finland's imports from the USSR this year.

Finland's own oil consumption increased 5% last year though most of this was stock building. However a change in the structure of consumption is apparent: a greater proportion of oil is being used as a transport fuel. Ihamuotila believes Finland should revise its transport policy to recognise the economic superiority of the road network.

Neste has a long-run strategy for energy imports. "An increase in Finland's own consumption of oil is not in sight. This is why it is more important than ever to increase the use of natural gas. The Soviet Union, of course, has the largest known reserves of gas in the world. Our long-term vision is to be able to create a Nordic natural gas pipeline, linking Nordic suppliers and consumers."

A Nordic gas grid

In autumn last year, Neste completed a 450-kilometre extension of its domestic gas pipeline to bring Soviet gas to the first and second cities of the nation, Helsinki and Tampere. Primary Finnish consumers are heating plants and the pulp and paper industry.

The idea of a Nordic gas grid may be gaining momentum: Sweden is interested in expanding its use of gas, now negligible, and although Norway's North Sea fields are close at hand, the Swedes want to avoid becoming dependent on a single supplier. A large new source of demand from Sweden would also improve the viability of extending Finland's gas pipeline to serve western parts of the country.

Not that Neste is concerned exclusively with marketing Soviet fuels. In previous years, it has bought sizeable amounts of oil from the Middle East. The company is also continuing its oil exploration programme, "though more cautiously than before, during this period of low oil prices."

Oil refining and marketing are going to remain the central parts of Neste's business but it sees its real growth areas elsewhere. One is oil trading, the other chemicals, in particular the raw materials of the plastics industry, polyethylene and polypropylene.

Outgrowing Finland

Expansion has taken Neste beyond its original Finnish dimensions to an increasingly international future. "Within the past 5-6 years, we've become a Scandinavian company. And when we bought a polypropylene factory in Belgium last year, it was our first step to starting production in the EEC area. To a large extent we are already an international company—more and more of our customers are from outside Scandinavia."

As a result, the orientation of the company is changing, along with its investment strategy. Oil refining facilities and the natural gas pipeline continued to claim a large share of last year's investments, but large and growing sums are also being spent on research, development and marketing.

This year's vigorous international advertising campaign is evidence of the same. Previously familiar only to a few, Neste is raising its public profile. "All our companies are seeking to win themselves permanent advantages over the competition," Ihamuotila says. "High refining standards, speciality products, our own high technology and customer orientation are the way we will do it."

NESTE

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Oil Marketing Companies — Chemicals
Gas — Shipping — Battery
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Key statistics, 1986 (US$1000*)

Net sales	5 271 740
Net profit	28 136
Reserves	1 587 991
Shareholders' equity	236 766
Investments	524 865
Total number of personnel 31.12.1986	10,405
Employed outside Finland	3,444
Total number of group companies	101

*US$1 = 4,786 Finnish marks. All figures according to Finnish accounting practice

For further information please contact:
Neste, Corporate Head Office, Public Relations Keilaniemi
SF-02150 ESPOO, Finland
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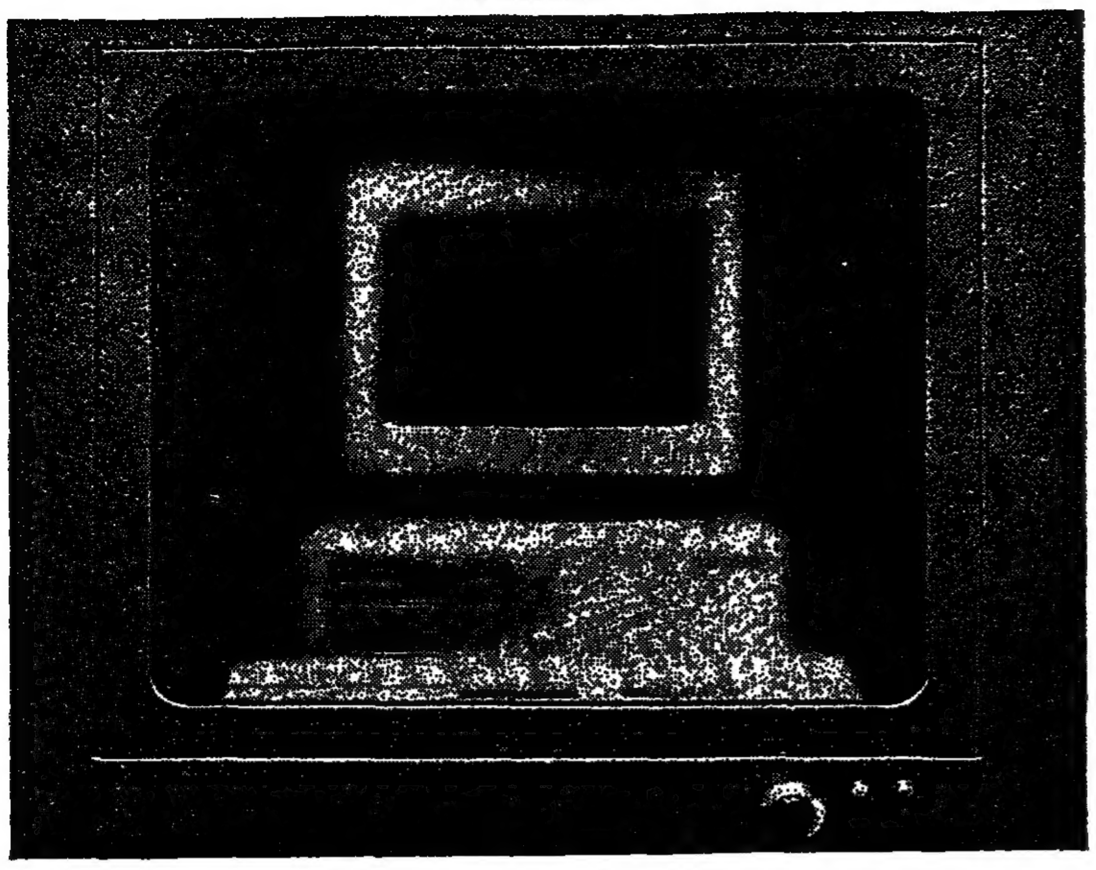
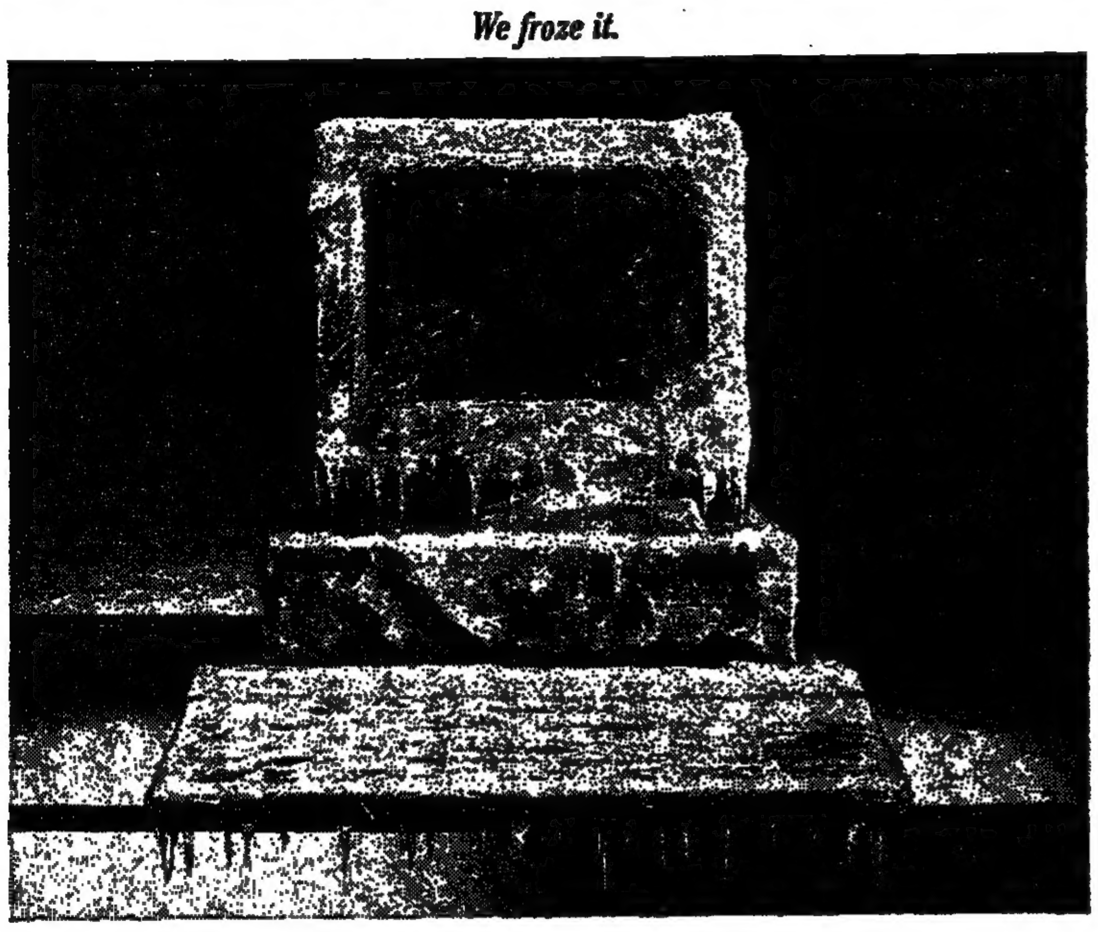
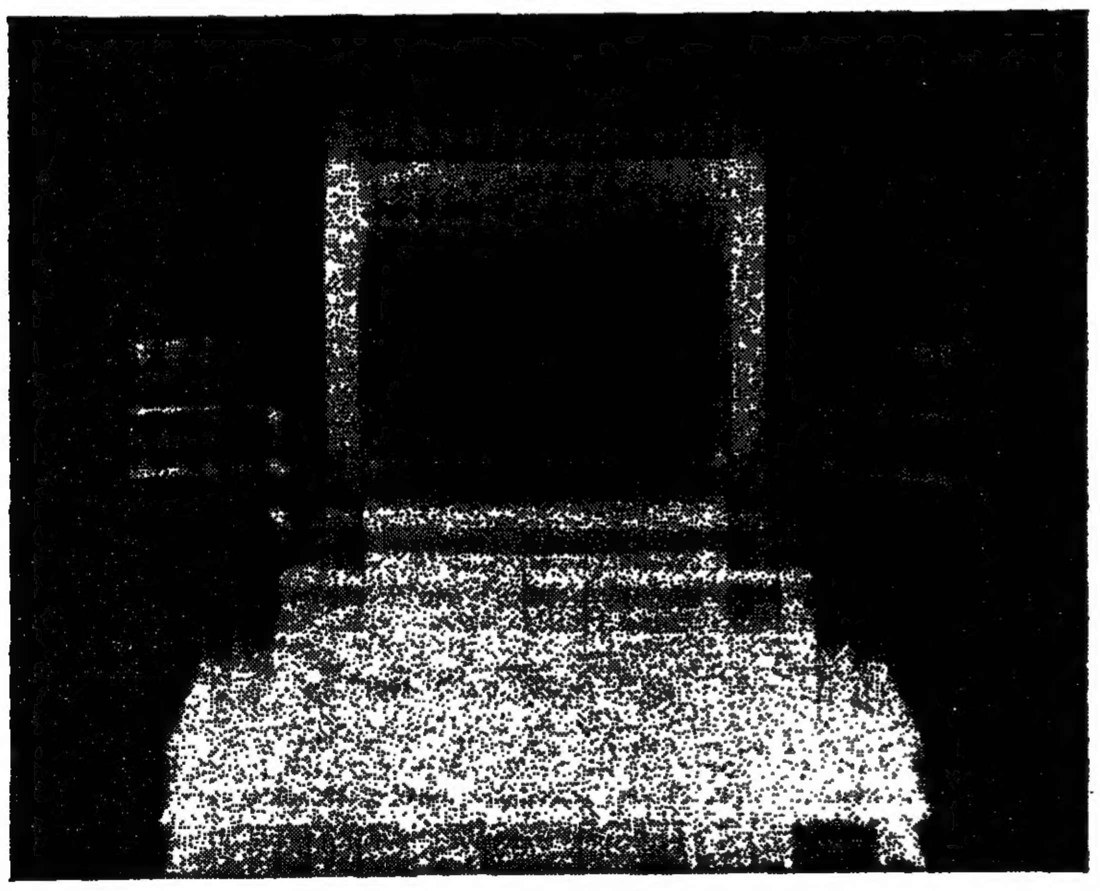
We steamed it.



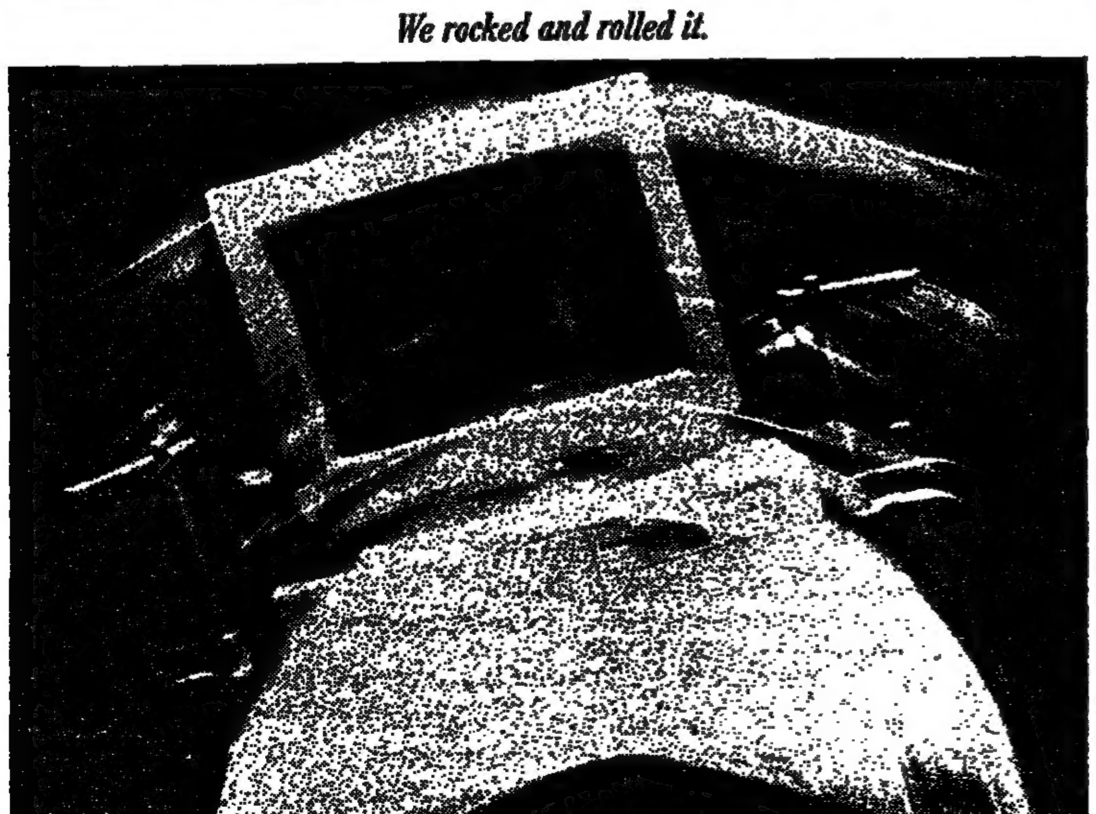
We froze it.



We shook it.



We rocked and rolled it.



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They also rolled the Vectra each side of the vertical, they vibrated it for two hours and they fluctuated and interrupted the voltage and frequency.

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We can work it out.

Fiji's Indians urged to further reconstruction

BY CHRIS SHERWELL IN SYDNEY

FIJI'S Governor General, Ratu Sir Penaia Ganilau, now ruling the island state under emergency rule after last month's ousting of the elected government, has appealed to leaders of the Indian community to help him in reconstruction.

The appeal, made yesterday in a nationwide radio address, came as Dr Timoci Bavadra, the deposed Prime Minister, and two ministers in his former Cabinet, began a visit to London to lobby for British support.

Because of Thursday's election in the UK, the timing of their visit could not be more difficult. The delegation will be unlikely to see ministers in Mrs Thatcher's government, although Foreign Office officials will be available.

They are due to see Sir William Heseltine, the Queen's private secretary, today. They will not be able to see the Queen as constitutional procedures in these circumstances mean that she takes advice from the the Governor General rather than politicians.

They are concerned not only by what they see as their illegal ousting from office and the Governor General's decision to dissolve parliament, but also by plans to change the constitution to strengthen the rights of indigenous Fijians at the expense of the ethnic Indian community.

In their view such changes cannot be implemented without parliament's backing. They also take seriously the threat by Col Rabuka, the army officer who led the coup and now heads the military, to push for a Republic if the changes are not introduced.

In his radio address, Sir Penaia was said to have appealed to the nation to put aside the "politics of fear and racial aggression," and give him support to return the country to democracy.

Dr Timoci Bavadra: in London

Reasserting that he was in sole executive control of the country, he acknowledged that Fiji's situation remained serious, urged an end to strikes and appealed to sugar workers to start the delayed 1987 harvest.

Last week the Governor General held talks with Dr Bavadra in an apparent attempt to persuade him to participate in the Council of Advisers helping the Governor General to run the country.

In London, Dr Bavadra, who is a Fijian, is accompanied by Mr Jai Jam Reddy, the former Attorney General, and Mr Tupeni Baba, the former Education Minister, both Indians. All three were members of the multi-racial coalition government which won office for the first time at general elections in April.

Australian union move abandoned

By Chris Sherwell

AUSTRALIA'S outgoing Labor Government, seeking to preempt industrial pressure ahead of the July 11 election, has said a controversial provision in its ill-starred industrial relations legislation would be abandoned when the bill is re-introduced.

The commitment, made on Saturday, was the second key policy decision in two days to be announced by Labor as it gears up its election campaign. On Friday it said it would terminate the unpopular two-airline policy which restricts competition on domestic trunk routes.

Both decisions steal ground from the opposition Liberal and National parties and graphically illustrate Labor's continuing pragmatism. The Liberals had already indicated they would deregulate the airways and radically reform industrial relations.

Labor was unexpectedly forced to withdraw its Industrial Relations Bill last month, only two weeks after introducing it in parliament. The bill replaced 83-year legislation which had become the cornerstone of Australian industrial relations.

Its provisions, particularly those eliminating employer access to the common law, provoked a voluble outcry from the business community, which planned a big campaign against it

Soviet economist seeks price system reforms

BY PATRICK COCKBURN IN MOSCOW

THE Soviet Union must completely change the way its price system works if economic reforms to be discussed by a key meeting of the Communist Party Central Committee later this month are to have any effect according to senior Soviet economists.

In the run up to the meeting there has been a noticeable sharpening of the debate within the Soviet press on the degree to which control of the economy should be decentralised and economic management determined by the market rather than the plan.

Without change in the price system "all other reforms are useless," according to Mr Alexander Levikov, head of the Economics Department at the weekly Literaturnaya Gazeta, and an influential advocate of radical economic reform in the Soviet Union.

The argument of the reformers is that plans to decentralise management by making Soviet enterprises self-financing and deendent on profits are doomed unless the prices charged for the goods they produce and consume reflect demand and are largely determined by contract negotiated directly between supplier and producer.

Mr Levikov said in an interview that a half-way reform could be dangerous. Introduction of a new system of price formation without abolishing the old would necessarily produce a clash between allocation by the State Committee for Supply (Gosnab) and the development of wholesale trade between enterprises.

The same points are made by Mr Stepan Sitaryan, deputy head of a special commission in charge of economic reform, writing in the influential party political monthly magazine Kommunist. He says that the economy cannot be divided up into different zones with some administered from the centre and others managed through commercial relations between autonomous enterprises.

The 307-member Central Committee, to which all the most senior Soviet officials belong, is to meet in Moscow later this month for what is considered a crucial meeting on economic reform. Despite calls by Mr Mikhail Gorbachev, the Soviet leader, for radical economic reorganisation Soviet economists say economic management has changed little since he came to power in 1985.

A new law allowing individual labour introduced on May 1 and decrees legalising certain types of co-operative ventures are only having a limited impact because they are largely confined to second jobs. Mr Levikov says that in East Germany three-quarters of services are provided by self-employed or members of co-operatives working full time.

He said that a small private sector stood its best chance of success in the Baltic Republics and the Caucasus where there is a tradition of self-employment and small workshops.

Egypt raises private investment target

BY TONY WALKER IN CAIRO

EGYPT'S Prime Minister has pledged that private sector investment will reach about half new investment under the country's second five-year plan starting July 1.

Dr Atef Sedki told parliament at the weekend that Egypt aimed during the 1987-1992 plan substantially to increase private sector investment from about 23 per cent of total investment of $28.8bn in the old plan.

Dr Sedki said the Government's main aim was to increase local production and lessen dependence on foreign loans and imports.

Egypt also hopes that by giving a boost to the private sector it will help create employment for increasing numbers of unemployed young people.

It is estimated that public sector industry, which accounts for about 70 per cent of output, made losses totalling E£230m (£63m) last year.

Egypt plans total investment in its five-year plan of E£46.5bn compared with E£38.8bn in the old plan.

Egypt's trade deficit in 1985-1986 reached $8.1bn. It is running a balance of payments deficit this year of about $3bn.

Dr Sedki made an apparent reference in his speech to recent worrying incidents of violence on the streets of Cairo. Gunmen have tried to murder a former interior minister, American officials and a prominent newspaper editor in the past several weeks.

● French officials have confirmed the resumption of the delivery of Mirage 2000 aircraft for Egypt's air force.

This follows a rescheduling of some $12bn of Egypt's government guaranteed debt through the Paris Club of Western creditor nations. Egypt's military debt to France is about $2bn.

Canada to buy N-subs

BY BERNARD SIMON IN TORONTO

CANADA plans to buy up to a dozen nuclear-powered submarines, and almost to double its troop reserves, as part of the most ambitious modernisation of the country's armed forces since 1945.

A long-awaited government white paper, published at the weekend, pledges to maintain growth in defence spending at a minimum of 2 per cent a year in real terms over the next 15 years, resulting in total outlays of at least C$183bn (£83bn).

The paper, the first detailed outline of defence policy in 16 years, stems from a commitment by the Progressive Conservative Government, when it took office in September 1984, to review and strengthen the country's military resources.

Mr Perrin Beatty, Defence Minister, said the new submarines will be armed with conventional weapons and used mainly for Arctic patrols.

British and French shipyards are the front-runners for the submarine order, which is expected to be worth at least C$7bn.

Also, a fixed surveillance system will be installed under the Arctic ice.

The white paper also proposes to cancel Canada's "unsustainable" commitment in Nato to deploy an army brigade and two fighter squadrons in Norway during hostilities.

UK-Iran conflict eases

By Andrew Gowers, Middle East Editor

THE ROW between Britain and Iran over the abduction of a British diplomat in Tehran appeared to be receding yesterday after Iran ordered the expulsion of five British diplomats from its capital.

Mr Edward Chaplin, the British first secretary who was beaten up by Revolutionary Guards 10 days ago and held for 24 hours, is one of the five and is due back in London today.

The Iranian authorities have apparently shelved plans to bring charges against him. Mr Ahmad Gassemi, the Iranian consular official whose arrest in Manchester on shoplifting charges last month apparently sparked off the affair, left Britain at the weekend.

Iran's decision, announced on Saturday, was taken in retaliation for the British Government's closure of the Iranian consulate-general in Manchester and expulsion of five Iranian consular officials.

The Foreign Office, which warned Iran last week against any retaliation, immediately attacked the move as "unjustified and unacceptable."

Officials pointed out that it leaves Iran with a full complement of 19 accredited diplomats in its London embassy, while Britain now has a severely reduced presence under the Swedish flag in Tehran.

Privately, the Government seemed relieved that Iran did not react more harshly to its action. "Our first priority is to see the conclusion of the current wave of expulsions," said one official yesterday. "There is no real pressure for us to rush into producing a reaction to this latest Iranian move."

Allegations at the weekend by Mr Denis Healey, the Labour foreign affairs spokesman, that the cooling of Iranian and British tempers reflected a deal between the two governments were vigorously denied by the Foreign Office.

Sihanouk denies negotiation

Prince Norodom Sihanouk has denied that his decision to resign as leader of the Kampuchean Resistance Coalition was made in order to negotiate with Vietnames or the Kampuchean governments, AP reports from Bangkok. But he left the door open to such contacts.

"I have not had and I do not have any contact with the people from Hanio or Phnom Penh or Moscow and I do not have any plan to establish any contact whatsoever," Prince Sihanouk said in a May 29 telegram to his son and representative in Bangkok, Prince Norodom Ranariddh.

But he added, "If one day a person from the opposite camp would like to come to greet me, I shall not fail to let the whole world know."

Burma rebel HQ falls

Burmese troops captured the jungle headquarters of Kachin insurgents in the mountainous northeast Burma near the Chinese border on May 29, the Burmese Government claimed late on Friday, Chit Tun reports from Rangoon.

The Government said troops began the offensive against the Kachin Independence Army, the fighting wing of the underground Kachin Independence Organisation, on May 22 and had had 35 encounters

Kuwaitis condemned

Six Kuwaitis were sentenced to death by the State Security Court on Saturday for sabotaging vital oil installations and plotting against the Gulf Arab emirate, Reuter reports. Four of the 16 Kuwaitis on trial, including two sentenced to hang, are still at large. Diplomats said names of the accused, men aged between 19 and 36, indicated most were of Iranian origin.

Turks vote for mayors

More than 100,000 people voted for mayors in 84 centres across Turkey yesterday in what will amount to a test of popularity for Prime Minister Turgut Ozal's ruling Motherland Party, Reuter reports from Ankara. There are about 300 candidates and political analysts said its outcome will determine whether Mr Ozal calls an early general election—not due until November 1988.

US to press for radical reform of agricultural trade

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE US will next month table sweeping proposals for the reform of world agriculture trade at the Geneva talks on multilateral trade liberalisation *being held now at* General Agreement on Tariffs and Trade.

The proposals, due to be *tabled on July 6, will* emphasise the need to shift from production and export subsidies to direct income support for farmers.

Officials at the US Trade Representative's Office in Washington said yesterday the proposals are still being drafted and their detailed substance will not be known until after the Venice Summit of industrial country leaders due to get under way *this* weekend.

However, following the recent Ministerial Declaration on agricultural reforms by the Organisation of Economic Co-operation and Development, the US is more anxious than ever to press for speedy and practical commitment by its trading partners to radical reform of world agriculture.

Officials take the view that there is now a consensus around the world that farm subsidies hurt both consumers and *producers* because they lead to overproduction at artifically inflated prices.

A productive approach to farm reform negotiations should take this point into account at the outset, officials argue, rather than allowing talks to develop in a piecemeal way which is obscured by the special interests which dominate farm politics in many countries around the world.

Though reform would certainly be a lengthy process, it is desirable to make a basic *decision now to proceed with* reform, they argue.

SHIPPING REPORT

Panamax Gulf-Japan dry cargo rates fall sharply

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

OWNERS OF dry cargo tonnage are likely to experience an anxious few weeks following a sharp fall in rates for the prime Panamax trade from the Gulf of Mexico to Japan.

Brokers said rates had fallen from a high of around \$18.25 per ton to around \$16, with a low of \$15 reported for a vessel fixed for mid-June.

The fall in rates encouraged charterers to try to use the midsummer period to reverse the recent rise in rates in other sectors of the dry cargo market. There appears to have been little change outside the Panamax Gulf/Japan trade so far, however. Panamax vessels are the largest vessels able to traverse the Panana Canal.

In the tanker market, brokers reported a very low level of activity, particularly in the Middle East, though freight rates appeared to be holding steady.

Galbraith's, the London brokers, reported only two fixtures for large vessels: 200,000 tons to Taiwan at Worldscale 51 and 225,000 tons to Japan at Worldscale 42.5. The clean market remained relatively healthy: a leading US oil company was said to have arranged for 30,000 tons of leaded *gasoline* to be moved from Bahrain to Singapore at Worldscale 250—a substantial *improvement on previous* levels.

Japanese charterers were also reported to have been paid Worldscale 140 for a 50,000 tons movement from the Middle East Gulf to Japan; and Frota, the Brazilian state company, booked at *least six vessels for June* loading from terminals in Brazil to destinations including the US and West Africa.

William Dawkins outlines the dilemmas facing Brussels in the battle to reduce capacity

European steel cuts test EC's mettle

Narjes: Closure options are causing headaches

EUROFER, the group of major EEC steel producers, has abandoned its effort to find further voluntary production cuts because the issue has become too hot for its members to handle without official backing.

The nearly 15.3m tonnes of capacity reductions so far agreed by the steelmakers would come mainly from long products like wire rod or merchant bars, manufactured in small mills that are relatively easy to close. That is a long way short of the 30m tonnes of cutbacks which the European Commission believes are necessary.

However, any more sacrifices would have to come from hot-rolled flat products, where the surplus is heaviest but hardest to close because it tends to be in big integrated mills, frequently publicly owned and sited in areas of already high unemployment in France, West Germany and Italy. "We have moved on to a *political dimension,*" explains a Eurofer official.

In that sense, Eurofer's abortive scheme has given member states a convenient excuse to defer politically uncomfortable decisions about whether or not to change the quota system that supports prices and helps to keep inefficient steel companies alive.

"The steel producers are not the main villains. Governments have been fudging this too," says Mr John Safford, director of the British Iron and Steel Consumers' Council.

It is now up to the Commission to produce fresh plans for the future of EC steel. But what chance does it have of succeeding where Eurofer failed?

It now controls about 60 per cent of EC steelmaking capacity, having scrapped quotas in the past two years for concrete reinforcing bars, galvanised sheet and coated sheet-products where demand is comparatively strong.

Commission officials are committed to finalising their plan by the middle of next month, in plenty of time for member states to mull it over before the next meeting of EC industry ministers on September 21.

The scheme is likely to suggest that controls continue for possibly three years for the most politically sensitive sectors—hot-rolled flat products and heavy sections—and that quotas should be ended for the most buoyant products, *wire rod* and merchant bars.

That will not please the Netherlands, which wants to scrap all quotas fast, nor will it satisfy the UK, because any attempt to privatise British Steel would be complicated by the continued existence of EC output controls.

Meanwhile, West Germany and Luxembourg want to keep quotas for long products because *some of their* biggest mills depend on them, while Greece, Italy and Ireland would be happier to see quotas generally untouched. That leaves France and Belgium as the only steel producers likely to accept the scheme.

The plan will also suggest simplifications to the system of allocating production quotas to individual companies, a move which will be widely welcomed, *judging by the record 35* complaints against Commission quota decisions now before the European Court of Justice.

Most problematic, however, will be how to encourage more closures beyond what Eurofer has already come up with.

"The problem is that the last aid code dealt with what you might call the industry's *spare parts. Now* we are talking about major installations," says a senior Commission official.

Other options, outlined in a letter from Industry Commissioner Mr Karl-Heinz Narjes to the EC's 12 industry ministers, include a closure fund made up from contributions from the steel companies themselves. It is unlikely that companies which have already *cut back* heavily will relish the thought of paying to help less efficient competitors follow suit.

Mr Narjes has also mooted contributions from the coal and steel budget or even from the EC's general budget, propositions which will pose serious practical problems at a time when the Community's finances are in crisis.

However, the Commission feels it has little choice, despite UK and Dutch arguments that a quick return to a free market is the best way to encourage more restructuring. "We have to find a way," says one official, "of getting closures at a deeper level than Eurofer has been able to achieve."

Minister fired over Chinese forest fire

By Robert Thomson in Peking

THE SPREAD of China's worst forest fire in recorded history has been blamed on bureaucratic bungling, and the Government has sacked Mr Yang Zhong, the *Minister* for Forestry, for dereliction of duty.

Northern China has been hit by a series of forest fire in recent weeks the worst of which left at least 200 people dead, razed four towns, made 50,000 people homeless, and destroyed 700,000 hectares of forest. The last of the fires was apparently extinguished late last week after rain fell in the region.

A meeting of the ruling State Council on *Saturday* held Yang and his ministry responsible for the largest blaze, and strongly criticised him for having not *written a self-criticism*—the Chinese way of admitting fault and seeking the party's forgiveness—until prompted by senior officials.

Yang, 55, who had his character savaged yesterday by the Chinese media, was also criticised for not having gone to the scene of the fire, in Heilongjiang province, near the Soviet border. Other sackings could follow, as the State Council announced an investigation into the ministry and the fire-fighting command.

Diplomats suggest that Yang may be a victim of military dissatisfaction with the Government handling the fire. Many of the 42,000 fire-fighters were soldiers and the military has been loudly praised for its gallantry during the disaster.

Forestry officials have already confessed that fire-fighters were *hindered* by primitive equipment, often nothing more than a branch or water-soaked clothes, and that the building of fire-breaks was badly handled. But the Government is yet to admit that it made a mistake by refusing-on-the-ground assistance from other countries.

Five men have been arrested for accidentally starting fires in Heilongjiang. Three have been accused of carelessly discarding cigarette butts, while another two men are said to have started blazes through recklessly handling chain-saws.

The Government has not revealed what will be done with the five charged men, but, given China's record *of severe* punishment in negligence cases and the damage caused by the blazes, they could well be shot.

Amtrak awards rail equipment order to Asea

By Sara Webb in Stockholm

ASEA, the Swedish electrical engineering group, has won an order worth SKr 95m (£9m) to supply technology and electrical equipment for seven high-speed electric locomotives in a contract from Amtrak.

Amtrak operates most of the inter-city passenger trains in the US and has ordered the seven new locomotives for the Metroliner service between Washington and New York. The locomotives can travel at speeds of up to 125 mph.

Asea and the electro-motive division of General Motors in Illinois have co-operated in the development and manufacture of the locomotives.

Under a licence agreement, Asea is responsible for the design work and electrical parts while General Motors' electro-motive division is responsible for the mechanical parts.

Nigerians mourn elder statesman

BY PATRICK SMITH IN LAGOS

MORE THAN 250,000 Nigerians flocked to the southern town of Ikenne on Saturday for the funeral of Chief Obafemi Awolowo, former premier of the Western Region and thrice defeated candidate for the country's presidency.

Since 78-year-old Awolowo died on May 9, Nigerians, encouraged by vigorous newspaper and television coverage, have joined in a month of national mourning for one of the country's most distinguished elder statesmen.

Saturation television coverage of the funeral service and procession which lasted nearly eight hours was watched by tens of millions of Nigerians. The main markets in Lagos and in the west of the country were closed and streets took on a carnival-like atmosphere with stallholders giving away food and drink and transport companies offering free rides to Awolowo's birthplace at *Ikenne.*

Gen Yakubu Gowon, former president and commander in chief of the armed forces during the country's three-year civil war, flew in from Britain the day before the funeral to pay tribute to Chief Awolowo who had been his finance commissioner in two successive administrations.

The present military government under President *Ibrahim* Babangida sent a 16-man delegation led by Rear Admiral Augustus Aikhomu, Chief of *General Staff, to attend what* local newspapers described as "Awo's last political rally."

Chief Awolowo whose own *political career had been* chequered — he spent three years in jail in 1960s on charges of treasonable felony—was known to be particularly sympathetic to the present government, describing President Babangida as "a young man who is doing his best under very difficult circumstances."

The sometimes tearful remembrances of Chief Awolowo have not stopped politicians—many of whom were his sworn foes at the hustings—from seeking to capitalise on his death which they believe will mark a re-alignment of political forces within the country as the military government prepares for a return to civil rule scheduled in 1990.

Chief Awolowo was one of three leading nationalist politicians—the other two being Dr Nnamdi Azikiwe and the late Sir Ahmadu Bello who dominated Nigerian politics immediately before and after *independence in 1960. But all* three were constrained by their dependence on a regional base. *The new generation of political* aspirants are trying to form wider alliances across the 19 states of the Nigerian federation.

Meanwhile, the Government appears determined not to be hurried into starting the process for the return to civilian rule. Nigerians are still eagerly awaiting government reaction to a report investigating the best form of political system for the country to succeed the former civilian system of government overthrown by the military coup in December 1983.

Taiwan to change law on rubber cheques

By Robert King in Taipei

TENS OF thousands of Taiwanese cheque-bouncers, may be freed from fear of imprisonment soon.

The Government has asked parliament to pass a measure that will, in effect, decriminalised bad cheque writing, thus freeing more than 1,400 now in jail and removing another 31,000 from the wanted lists.

Until January 1, people whose cheques bounced could be automatically charged under the criminal code — whether the bad cheque stemmed from oversight or intent. But, no matter how severe the penalties, the practice continued.

The Taiwanese tend to view cheques as instruments of credit, rather than of payment. The issuance of cheques dated months in the future had been for years a common form of collateral *for private loans* — on the assumption that the criminal penalities would ensure repayment.

Portrait of Roger McKechnie by Patrick Procktor.

THE MONDAY PAGE

JOHN LLOYD

Give the people what they want

WE can see fear in the handfuls of dust which have blown across this election campaign. These premonitions, barely sensed, playing little part in the hustings pitch of the major parties, nevertheless darken the *future of any government* which snatches the double-edged sword of power on June 11.

The fears are of an economic crisis which might engulf the western world. They surface at every level: among *those with power* and knowledge, a few of whom are giving voice to fear; among those scrambling for *money, who acknowledge that* fear is their spur; and among those who have nothing so that fear is their normal *state*.

Nothing of this emerges in the Prime Minister's triumphalism, though it will swirl around the debates at the Venice summit today. Some did emerge in the speech given by the Chancellor to the Confederation of British Industry on May 19, when he allowed that "the biggest source of concern about our continued economic success lies in fears that in a number of key respects the world economy may not perform as well as we ourselves are doing . . ." The force of the remark was, however, lost in the coating of electoral saccharine: and the point was more crudely driven home by the party *political broadcast* showing the British bulldog lording it over French poodles and such like.

As for the opposition parties, neither wishes to attract the odium of being seen as the messenger of doom. Mr Roy Hattersley, the shadow Chancellor and Mr John Smith, the trade and industry spokesman, have spent their time targeting Thatcherism for its neglect of investment, training and research and development.

Mr David Steel did devote a speech in Rochdale last Sunday to a warning that there is no way in which Britain can isolate herself from the tempest of monetary instability which threatens the world," adding that "the survival of our democracy (could be) put at risk." Yet that, too, went largely unremarked, and is anyway not a dominant theme nor likely *to become one in the last few* days before polling.

But once the campaining is over, the fears could move centre stage. They have already been well flagged: the US budget and trade deficits (against which the departed Paul Volcker warned); the danger of protectionism and of contininuing currency instability — problems which Mr Felix Rohatyn of Lazard Fréres has said will inevitably lead to US, and thus world recession.

At home, we face the after-oil world with a manufacturing base still under-invested, under-researched and under-trained; and we face galloping growth (in common with other western countries) in the ranks of the elderly and dependent, and *of AIDS* victims, which will make it difficult to see how the health and social services can be wholly safe in *anyone's hands*.

In a forthcoming book, Apocalypse 2000, Mr Peter Jay and Mr Michael Stewart *dramatise* these often unfocused anxieties in order to give them solid shape. They position themselves in the *first* year of the next *millenium*, looking back on the closing years of this one as a time when democracy was *frittered away in fiscal* irresponsibility in the US and complacency and stagnation in Western Europe.

It does *not* matter whether their specific spectre—the rise of a pan-European fascism—will be realised. The important factor is that they reflect and creatively prefigure trends which even now undercut and sour the material advance of the many and the extraordinary material luxury of the few.

Here intrudes another, less tangible theme. As the discrepancy between rich and *poor is ever more sharply* accented, and as the consumption of the upwardly mobile becomes more conspicuous because *more starkly* counterposed with the hopelessness of the immobile, so the question is asked—does greed really work to the benefit of all? Or just to the continuing benefit of the greedy?

Why have we not been able to develop mechanisms which address the plight of those *whose skills, or sweat,* will never be required again? How is it that we in Britain have consumed £60bn in oil *revenue in eight years with* only the most fragile of recoveries to show for it, and with a pile of victims only barely *maintained in* civilised existence by it?

These fears will not all turn out to be chimerical. And those which have substance will certainly not be addressed directly by any purtative government's programme, for the main reason that the scope any British government has for moderating an impending crisis is small. The bulldog is on a tight leash, dwarfed by much larger beasts.

But for that space within our control, and the larger one susceptible to our *influence, it now seems* inevitable that a move back to what may be termed "neo-collectivism" is not just the best bet but *is* also the message that is seeping through from the voters.

Their collective fear of sickness and *old age, insufficiently* protected, points to a need for continued support for a system which, though it may never be able to deliver the doctor people want on the day they want him, still provides basic security.

It is true that people want more responsive social services capable of stimulating more disease-preventive and healthy behaviour in the population. But the deep, *collective distrust* of special interest groups speaks for a governing style which stresses mutual obligation and social *integration*, a style which is impossible to maintain where it is clearly seen that the most powerful make the least sacrifice to *the common good*.

For the individual, the group or the nation, the untrammelled expression of self interest—even *if* undertaken from idealistic motives—has now reached the limits of any usefulness it *may* have had.

The *old* collectives of class are withering (very slowly). But collective needs and anxieties are not, nor are the range of tasks which can only be tackled collectively. That cannot, in a society like our own, be imposed from above. Nor can it be left to an indifferent market.

Individual fears need collective solutions: the next government will be constrained to act on that, if it is not to mortgage our futures *beyond* hope of repayment.

INTERVIEW

After Confucius

Steve Butler talks to Lee Kuan Yew, Singapore's Prime Minister for 22 years

SITTING in Mr Lee Kuan Yew's reception room, you could easily be forgiven for thinking that you had mistakingly entered the waiting room of a public health clinic.

Tidy chairs along the walls have been partially reupholstered in fabrics that do not match the originals. The *mustard-coloured* carpet is worn and soiled at the entrance room from the shoes of visitors who wandered in out of a *tropical downpour.*

The Singapore prime minister's public austerity is part of years of effort to cultivate the public image of a clean government where officials do not enjoy extraordinary perks of office. One cannot help but suspect there is another side to this — that with attention rigidly focused on building a prosperous new nation, free from internal and external threat, Mr Lee's interest in his immediate surroundings has *taken second* place.

It was thus *not* until tourism began to fall off sharply that Mr Lee's government took any serious *interest* in preserving the city's rich architectural heritage, although by then it was largely too late. Mr Lee himself is a plain looking man, often appearing in public in an open-necked long sleeve shirt. He must be one of the *only* heads of government from a prosperous nation who travels on official trips by scheduled, *commercial airliner.*

The energy and determination with which Mr Lee has amassed and wielded the powers of his office has made many people wonder whether he really intends to step down *when he turns 65 in a year* and a half, as he said he will. He is Singapore's only prime minister in nearly 22 years of independence.

Still Mr Lee has started the notions of stepping back. He has let a younger generation *of* leaders—including very prominently his own son, Mr Lee Hsien Loong—seek Singapore's path *out* of a recession that called into question much of the Government's past economic programme.

"*This* is probably the most difficult phase of my job as Prime Minister," he says. "It's easier to do things yourself than to allow others to find their own solutions, to express their urges and ethos, and at the same time, remembering that if things go wrong, I'm responsible because I'm still in charge."

The younger ministers have taken Singapore through a remarkable transition, the sort of change that in most nations could only have been the result of years of political battles and a change of government.

Singapore did it by committee.

Tax rates were slashed, wages controlled, following the guide*lines of a joint public/private* sector committee headed by the Prime Minister's son.

The Government is now tinkering with a flexible wage scheme and an education policy designed to encourage the for*mation of private schools—thus* introducing possible inequalities of opportunity in a rigid, multi-racial meritocracy. The intended bonus would be students who learn to think independently and creatively. The young ministers plan to sell off bililons of dollars worth of government companies.

All of this undoes a great deal that the Prime Minister spent years putting together. Is there a contradiction, a change in government economic *philosophy*?

"I would not consider that to be a contradiction. One phase of *state activism* had matured and come to an end. A younger generation, having assessed the situation decides *that in the next phase it* is more efficient to hand this over to private individuals so that decision making can be more prompt. I don't see the contradiction."

Rather Mr Lee sees himself, and his People's Action Party, as a fount of pragmatism.

"We have only one unalterable principle by which we are measured. *Does it work? If it* works, it's right. If it doesn't never mind whether it is a good theory or a bad one."

"Privatisation will work in this phase because we have created a managerial class in *the past 20 years.* We have educated people. The multinationals have come in and inducted them into management. They are now in middle management; some even in top management. When we started, we had to create the managing class. If we lacked that boldness to have tried, we wouldn't have got the industries which we have, and wouldn't have got here."

Still, selling off the Government's success stories will not mean the end of Singapore Inc, since the Government has pushed into new ventures in high technology while casting off mainstream industries to the private sector.

"If it comes off then people will say it was right. *If its* a few hundred million dollars down the drain and nothing to show for it, they'll say: "There was a lot of stupid statism. The state wastes a lot of resources.' It's worth trying because the private sector will not try. There are no returns for many years. We've got to seed it. If it succeeds, 15 years down the road, we privatise, and *sell* it off. Let Glaxo or Beecham take it over."

Not everyone would agree with the Prime Minister that Singapore Inc should turn itself into a high-tech venture capital corporation now that private markets are becoming more mature. Most in Singapore will admit, though, that on balance Mr Lee and his government have a rather good track record on the economy. Singapore is the second most prosperous nation in Asia, after Japan.

In the political sphere, Mr Lee *is* rather more harsh on himself. From Singapore's most recent outburst against the foreign press to the aggressive campaign against a political opposition that has no apparent hope of taking power, the government often appears to act as though it is under siege — as though 20 years of stability, prosperity, and peace in the region have made little difference.

Mr Lee admits that the younger generation has a different *outlook*. They are not "haunted by the spectre of near disasters that troubled my generation."

"Their generation have not experienced the war, Japanese occupation, Communist insurgency, British handover of independence, the lean years with massive unemployment and negligible growth. They *grew up in a world of steady* continuing development, resulting in improving social and political conditions."

And, no bones about it, nearly 22 years of nation-building in a multi-racial, multi-cultural, *multi-lingual society are* not enough to produce strong political institutions.

"It's unlike the British which goes back almost *uninterrupted* to Charles I. The idea of anybody coming up with a new scheme of government is just preposterous. It's evolution over time.

"We have 21 years, coming on to 22 years. Insofar as it can be strengthened in those 22 years, it has been. How can *you speed up history? It's not* possible. You can't pressure cook human beings. We're learning right at present to co-exist as one nation, although we are different in race, language, culture, traditions, religions."

Mr Lee is haunted by the ease with which so many of the British-drafted constitutions *have been scrapped in former* colonies, with the military stepping in overnight.

Singapore has a "lack of ballast, lack of both the cultural and the emotional attachments to values and institutions which allows adjustments to be made within a constitutional framework."

This is one reason why Mr *Lee is reluctant* to let go, to allow events to take their own course *free from* the domineering and paternalistic presence of his People's Action Party.

Beyond this is the delicate squaring off of interests among classes and racial groups in Singapore, where Sri Lanka provides a *current* terrible ex*ample of what happens* if things go wrong.

"It is vital for the government never to get trapped into a *confrontational relationship* with these interest groups, especially the labour unions as in the case of Britain."

How does Mr Lee propose to do this?

"You allow them channels. Had we squeezed out union interests would we have succeeded in getting the workers to go along with our *industrial policies*? There were channels for their views to be heard, and as a result their interests were brought into the equation. Therefore, the result was *sweet for* them. Their incomes have gone up, 5-6 times in the last 15 years."

The key to all of this, *of* course, is a strong, credible *leadership*, that *stands* above the fray and is not perceived to favour one or another side. Mr Lee's background as a trade union lawyer has given him sensitivities across a broad spectrum.

It is all terribly *Confucian* — the virtuous ruler claiming a natural mandate. For over 20 years Mr Lee has provided that sort of leadership.

As Mr Lee contemplates his retirement, everyone is wondering who could replace him and establish the credibility and legitimacy Singapore *needs to maintain stability. Mr* Lee's son, undoubtedly a capable man, looks the obvious choice.

The Confucian system, however, has a classic flaw — the lack of institutional mechanisms with which to chose a virtuous ruler. Throughout Chinese history, it has felled dynasties even greater than that founded by Mr Lee Kuan Yew in Singapore.

● PERSONAL FILE

- **1923** Born, Singapore
- **1942-45** In Singapore and Malaysia *during Japanese occupation.*
- **1946-49** Fitzwilliam College Cambridge.
- **1946-50** Middle Temple, Barrister-at-Law.
- **1951** Advocate and solicitor in Singapore.
- **1954** Helped found People's Action Party, *holding office of Secretary-General continuously to present apart from a brief period in 1957.*
- **1955** Elected to Singapore assembly, *while still under British rule.*
- **1959** PAP formed government under self-rule. Lee becomes Prime Minister.
- **1965** Singapore expelled from Malaysian Federation. Lee now Prime Minister of an independent nation within the Commonwealth.

A fragile blow for freedom

JUSTINIAN

THE MEDIA appears to have struck an unexpected and resounding blow for their freedom to publish. The occasion was last Tuesday's decision by the Vice-Chancellor, Sir Nicolas Browne-Wilkinson, that the Independent and two other London *dailies were not guilty of contempt of court* when, at the end of April, they published extracts from Peter Wright's book Spycatcher.

Mr Wright's allegations about misdeeds within the security services were the precise subject matter of injunctions granted to the Attorney General last summer against the Guardian and the Observer.

Yet even if the saga of official attempts at suppression of MI5 secrets is fast proving unattainable, and Mr Wright's book will soon be legally publishable in this country, the newly acquired freedom to publish may not be as secure as it seems. To appreciate the niceties of legal control over press freedom, it is necessary to retell the story.

Peter Wright, a disappointed ex-officer of MI5, had on retirement withdrawn to Tasmania where he began to write his memoirs. The completed manuscript was offered to the publishers, Messrs Heinemann, in Melbourne, Australia. The British Government learnt of the author's intentions to spill the beans about the misdeeds of MI5, in particular an alleged conspiracy within the security services to destabilise the Wilson Administration of the 1970s. The Attorney General asked the courts in New South Wales to restrain the publishers from publishing.

The basis of the British Government's case was that Peter Wright had a contract which in private law imposed on him a life-long duty of confidentiality. After a torrid time before a maverick judge, Mr Justice Powell concluded that there was no such contractual obligation on Mr Wright and he decided the case against the British Govrnment. There was furthermore no other ground for asserting a legal duty on an officer not to divulge Crown secrets. (An appeal is to be heard by the New South Wales Court of Appeal at the end of next month.)

The Guardian and the Observer had meanwhile been publishing articles outlining allegations said to be contained *in Mr Wright's memoirs*. Last summer the Attorney General moved against them in the English courts and obtained *injunctions from a Chancery* judge whose judgment was upheld in the court of appeal. An appeal to the House of *Lords* was due to be heard *next* week but has been indefinitely postponed.

No other newspaper had been threatening to publish any of Mr Wright's memoirs and so was not subject to the injunctions granted against the two newspapers and the Attorney General did not write to any other editor of a newspaper or journal for an undertaking not to publish. But of course every journalist was acutely aware of the ban on the Guardian and the Observer.

At the end of April, 1987, the Independent — much to the irritation of its rivals who were chafing under the ban on publication—published a lead story depicting a section of Mr Wright's book, which appeared to be exactly what the Guardian and the Observer had been forbidden to do since mid 1986. Those two papers hurriedly asked *for the injunctions to be* lifted, but the court thought that the contempt proceedings which the Attorney General had just started against the Independent and others should be determined first. If there was no contempt of court, there could be no reason why the injunctions should remain.

The injunctions which the *Attorney-General* had sought in the summer of 1986 specifically prohibited the Guardian and the Observer from publishing *anything from Mr Wright's* book. No other newspaper was made a party to those proceedings and, so the argument runs, they could not be prevented from doing the acts prohibited unless they had aided or abetted the Guardian and the Observer in breaching the terms of the injunction.

All this flowed necessarily from the fact that the Attorney-General was proceeding against the newspapers in private law for breach of confidentiality by *Crown servants*.

The only right protected by the injunctions was a private right of action under civil law—*namely, the right of an employer* to restrain a former employee from disclosing confidential information. There was no reliance on any public law rights that might spring from the provisions of the Official Secrets Act.

If in granting the 1986 injunctions the court was not enforcing any public right referrable to the preservation of official secrets for the public welfare, no third party could be affixed with the prohibition in the injunctions. The rights existing within the private law sector could not reach outside its frame of reference and ensnare outsiders.

That line of reasoning lay at the heart of Mr Justice Powell's judgment last *March* in the New South Wales court. If the same reasoning by the Vice-Chancellor proves to be *appeal-proof then the* Government will have to concede as decorously as it can that the Australian decision is unap*pealable. In any event*, the injunctions against the Guardian and the Observer must fall away.

The Government's one residual argument must be that it is fallacious to analyse its legal *action against* the Guardian and the Observer as exclusively within the private law sector, and that the life*long preservation of* confidentiality by a Crown servant imports a public law element. It is a confidentiality special to those in government service handling state secrets, and transcends the ordinary right of an employer to stop his employee from disclosing trade secrets, a right exists only so long as the employment lasts. The difficulty about the Government's argument is its novelty.

UK NEWS

Lloyds forecasts further fall in dollar

By Janet Bush

THE SOMEWHAT half-hearted commitment of the Group of Seven leading industrial nations to currency target zones cannot be expected to give more than a few months' breathing space for the dollar, according to a report by Lloyds Bank.

It predicts the Venice summit may encourage a period of stability for the dollar, but by September it will be weakening again. In March 1988, Lloyds forecasts, the dollar will have fallen to Y127 and DM 1.60 from around Y140 and DM 1.80 now.

Lloyds says the G7 finance ministers are unlikely publicly to announce target bands which, because of the flexibility this allows, robs them of some of their credibility.

The greatest risk for the dollar is posed by the US trade deficit rather than inflation and by the weakness in the economy which will discourage the US Federal Reserve from pushing up interest rates sharply when the dollar falls again.

The dollar's rebound at the end of May did not signal the end of the decline, Lloyds says, but reflected the market's awareness prior to the Venice summit that strong official intervention had been taking place, possibly within unpublished target zones.

The replacement of Mr Paul Volcker as Fed chairman by Dr Alan Greenspan in August will mean a new uncertainty surrounding monetary policy.

Although the latest reflation package in Japan has more substance than similar measures recently, it is unlikely to have much immediate impact on the Japanese trade surplus and the yen will thus continue to strengthen.

Lloyds suggests the current unannounced target bands for sterling are \$1.69 to \$1.53 and DM 2.65 to DM 2.76.

The pound may join the exchange-rate mechanism of the European Monetary System at a rate against the D-Mark close to its current notional central rate of DM 2.78 in the third quarter of this year if the West German currency strengthens as projected.

Bank executives worry over new act's impact

BY BARRY RILEY

CORPORATE finance executives in some merchant banks and securities houses are becoming anxious that no arrangements have yet been made for regulatory cover for their activities under the Financial Services Act.

Aspects of their operations in areas such as new issues and mergers are certain to be defined as investment business under the terms of the act and corporate finance departments will therefore need to obtain authorisation.

However, with the final date at which such authorisation must be applied for possibly only four months away, there is no self-regulatory body with an appropriate rule-book covering corporate finance.

It is understood that both the Takeover Panel and the Issuing Houses Association have turned down suggestions that they should become specialist SROs for corporate finance.

Now the proposal is, however, that the Securities Association should regulate the sector. There is logic in this, because many banks and other organisations active in corporate finance are also TSA members in respect of their other activities in broking and market making.

The merchant banks are also regulated by the Bank of England under the Banking Act, and there is concern that there could be a clash of regulations if the same groups are supervised by both TSA and the Bank of England.

For instance, certain capital adequacy requirements are laid down by the Bank of England, and it will not necessarily be the case that TSA's similar regulations will be compatible, at such time as it has finished drawing up its rule-book.

It is understood that TSA is resisting any suggestion that a special category of membership, to which separate rules would apply, should be made available to corporate finance firms.

Sales of low-cost Amstrad stabilise

BY DAVID THOMAS

SALES of the low-cost personal computer launched in September by Amstrad, the fast-growing UK consumer electronics group, are now beginning to stabilise, according to Romtec, a specialist market research company.

Amstrad accounted for 39 per cent of the 120,000 machines sold in the UK in the first three months of 1987, followed by International Business Machines (20.4 per cent) and Apricot (5.7 per cent).

Market shares by value were very different because of the widely differing prices of the machines.

IBM took 33.6 per cent of the £200m sales in the first three months of the year, followed by Amstrad (13.4 per cent), Compaq (8.9 per cent) and Apricot (8.8 per cent), according to Romtec.

However, Romtec believes the first-quarter results reflect exceptional sales of the Amstrad machines in January and February, after their lack of availability immediately following their launch in September.

Romtec says the March figures are more likely to reflect the sort of level at which Amstrad's sales will settle down.

Milk deliveries continue to dwindle

By Lisa Wood

DOORSTEP deliveries of liquid milk are continuing to fall while grocery chains increase their percentage of milk sales, according to a report by Dairy Crest Foods, a subsidiary of the Milk Marketing Board.

The Dairy Crest Milk Report 1987 said sales of milk through retail outlets, including supermarkets, were growing at approximately 20 per cent per annum while doorstep deliveries were losing volume sales at 4 per cent a year. In 1986 doorstep deliveries accounted for 86.8 per cent of liquid milk sales

The report predicted that by 1990 doorstep deliveries would fall to 75 per cent.

UK NEWS

Compass poised for big management buy-out

BY ALICE RAWSTHORN IN LONDON

THE MANAGEMENT of the Compass Group, which is composed of the contract services division of Grand Metropolitan, is set to stage the biggest British management buy-out yet by buying the business for £160m.

Once the buy-out is completed, Compass will emerge as one of the largest contract services businesses in Britain operating within contract catering, international catering and property services, building services and private hospitals. The four businesses made pre-tax profits of £10.2m on turnover of £231m in the last financial year to September 30 1986 and should produce profits of at least £16m in the present year.

The buy-out team is headed by Mr Gerry Robinson, who was drafted in to Grand Met's contract services division – then in losses – three years ago. He will run Compass as chief executive alongside its four divisional managing directors.

Mr Gerry Robinson: £160m buy-out relatively simple.

The buy-out has been assembled by 3i, the British venture capital group, which is providing £70m as lead underwriter, together with Prudential Venture Managers and CIN Industrial Investment, each committing £20m. The rump of the finance comes from a medium-term loan from the National Westminster Bank.

Compass is the latest in a series of divestments for Grand Met which is in the throes of a long-term strategy intended to concentrate its interests on consumer businesses. The buy-out, which is priced on historic exit multiple of 22, will reduce the group's gearing by 15 per cent to 90 per cent.

Mr Allen Sheppard, group chief executive who will become chairman of Grand Met when Sir Stanley Grinstead retires at the end of the month, said yesterday that Compass should be the last of the major UK disposals, but that divestments in the US will continue.

Grand Met now aims to augment its core businesses – food, drink, brewing and hotels – by acquisition. The recent $1.2bn purchase of Heublein, the US drinks business should rule out any huge deals. But as Mr Sheppard said: "Good opportunities do not necessarily come along at opportune moments."

Production plans for compact disc prompt over-capacity fears

BY DAVID THOMAS IN LONDON

PLANS for a huge increase in compact disc making worldwide are leading to fears that the industry may soon be suffering form over-capacity.

Music companies have been struggling until now to keep pace with demand for compact discs, which began to take off last year.

As a result, compact disc prices have failed to fall as much as some industry observers were expecting and some music companies have delayed until recently plans to re-release some of their most popular music on compact disc.

However, the shortage of compact disc capacity is about to end, according to information gathered by the International Federation of Phonogram and Videogram Producers, representing 640 music companies worldwide.

The federation knows of plans for 27 new compact disc plants with an annual capacity of 260m records. Most are scheduled to start operating this year or next.

Of the 27, 11 are planned for North America, 10 for Western Europe, four for the Far East – including two for China – one for South America and one for Eastern Europe.

The federation also has information on 49 plants already operating. These plan to have an annual capacity of 570m records by the end of the year.

In addition, the existing plants are planning to increase capacity by a further 350m units, mostly next year.

Compact disc sales worldwide last year totalled 140m and are expected to reach 300m this year, according to BIS Mackintosh, a UK-based market research and consultancy group.

The capacity/sales gap is not as big as it seems because up to 20 per cent of compact discs are spoiled during production. Moreover, some of the planned increase may be for uses outside the music industry.

But the gap is still sufficiently large to have given rise to fears within the industry that compact discs might be moving to a period of over-capacity.

However, it is argued that the increase in output should force down prices and boost demand. Some record companies are introducing cheaper compact discs for some of their re-releases.

It is also thought that some companies planning to enter the market will withdraw as competition becomes tougher, particularly since many of the newcomers have not previously manufactured for the music business.

Real estate plays its market hand

BY PAUL CHEESERIGHT

PROPERTY unit trusts and the stock exchange are to start talks that might lead to full quotation and open trading on the market.

The move is designed to ensure the future of the trusts in the face of likely competition for pension fund investment from the trading of securities and units in single property investment schemes.

Mr Brian Wootton, managing director of the Hill Samuel Property Unit Trust, said: "Unless we fight back, we shall not survive. There is no reason why multi-property unit trusts should not be quoted on the exchange."

The trusts have grouped together into an association to press their case. However, the collective move was foreshadowed by the individual decision of The Pension Fund Property Unit Trust, the oldest in the business, to initiate talks in the first instance with the Department of Trade and Industry.

The Pension Fund Property Unit Trust made its move last February. It offered the prospect of stock exchange listing as one reason for turning down the bid by Trafalgar House, the shipping, construction and property group, to buy its propery portfolio for £187.7m.

That bid, coupled with the liquidation of some trusts and the desire of unit holders in others to sell their interests, has emphasised the vulnerability of the property trust business after several lean years. Now there is an additional threat from new forms of property investment.

The arrival of single property investment schemes "puts the unit trusts on a knife-edge," said one City analyst. "They have to do something or sell their portfolios."

The unit trusts are "unauthorised," to use the legal jargon. That means it has not been possible to market them directly to the public. They have been available only to pension funds and charities wishing to invest in properties, and trustees and unit holders have been subject to capital gains tax on the disposal of their interests.

However, unit trusts holding a variety of properties are authorised under the new Financial Services Act in the same way as trusts owning a single property.

Once the regulations underpinning the act are published by the Department of Trade and Industry, probably in December, the "unauthorised" trusts will have the legal basis for open trading.

Sponsors of single property trusts and other schemes based on one property have already sorted out the regulations for stock exchange listing. So, in the competition for new investment money, the multi-property trusts are starting from behind.

The trusts had a committee that seems to have been little more than a luncheon club. Now they have formed an association to represent their interest in talks with the DTI and the stock exchange.

Wellcome acts to halt TPA patent

BY TONY JACKSON IN LONDON

LONDON'S High Court sees the start of a court case today that might affect the future of the international biotechnology industry.

The Wellcome Foundation, the UK drug company, is seeking to overturn a patent granted last year in Britain to Genentech, the US biotechnology group, for the production of tissue plasminogen activator (TPA), the clot-dissolving drug.

Wellcome is a rival to Genentech in the production of TPA, which promises enormous sales as a treatment for heart attacks.

Several drug companies around the world are racing to develop their versions of the drug, but only Genentech and Wellcome are believed to have reached the stage of clinical trials, with Genentech clearly in the lead.

Wellcome argues that since TPA is a substance that occurs naturally in the body, applying genetic engineering techniques to its production does not constitute invention.

Mr Bill Castell, Wellcome's commercial director and head of biotechnology, said: "We have objected to Genentech's product patent on the basis that it should never have been issued, in that the claims Genentech have made lack novelty and inventiveness, which are the very basis of what is required to establish a patent in the UK and around the world.

"We are therefore seeking a revocation of the patent."

Although Genentech has applied for product patents for TPA in other countries, it is believed the UK patent is the only one to have been granted so far.

Mr Castell said the case was a "trend-setter." Other patents were being applied for on the basis of it. "A lot of companies have filed for a lot of naturally occurring substances since this one went through."

The patenting of biotechnology products is one of the thorniest issues for the industry.

Success for Wellcome would be a considerable blow to Genentech, which 10 days ago saw the rejection of its application to have TPA licensed for the US market.

Genentech must re-apply with further data. News of the delay wiped more that $1bn off the value of its shares on the day of announcement.

Machine tool demand sharply lower in 1987

BY NICK GARNETT

DEMAND for machine tools in the UK appears to have dropped sharply during the first half of this year. Domestic producers and importers have been reporting a 10 to 20 per cent fall in orders compared with the second half of 1986.

Although some specialist machine builders selling to specific industries have not suffered a fall-off in orders of such proportions, the Machine Tool Trades Association says its members are generally going through a very difficult period.

One medium-sized manufacturer of machining centres in the Midlands said its domestic sales were down by a fifth. "Last month was absolutely disastrous and this month does not look as if it will be any better," the company said.

The UK's weak market for metal cutting and forming machines was worth about £750 last year and has caused some disagreement among machine builders.

Some companies say the downturn in orders shows that business surveys, including the most recent one from the Confederation of British Industry, have been too optimistic about the state of British manufacturing.

Machine tool sales are seen as a barometer of general investment and the health of engineering-related industries.

Other machine tool companies say their UK customers appear to be busy but, while making inquiries about new equipment, are failing to convert those into orders.

The London Business School had forecast a 14 per cent rise in UK machine tool consumption this year, but machine tool manufacturers now say that should be revised downwards drastically.

Mills Marketing, an importer of West German, Japanese and other Asian-built machines, says its sales are not down by as much as 20 per cent but the level of orders has declined substantially over the past few months.

Mills Marketing imports Nakamura and Toshiba computer numerical control machines as well as Chiron machines from Germany and some Korean and Taiwanese equipment.

UK manufacturers of machining centres and non-computer numerical control milling machines, are also complaining bitterly about what they say is the most aggresive dumping by Taiwanese machine builders ever experienced in the UK.

PO's better deal for bulk mail

By Kevin Brown
Transport Correspondent

THE POST OFFICE is setting up a special national delivery system to handle its booming bulk mail business, which now accounts for 20 per cent of the 46m letters and packets posted every day.

The system, which is expected to be fully operational by October, will use 30 chartered British Rail trains, as well as Post Office trucks on 19 long-haul road routes.

It will operate separately from the existing Royal Mail delivery system, which uses "travelling post offices" on 39 trains and a fleet of aircraft.

The intention is to reduce pressure on the existing delivery system while cashing in on growth in the bulk mail sector.

The discrete nature of the new service is also in line with the strategy of splitting up the letters business into manageable parts being followed by Mr Bill Cockburn, Royal Mail's managing director.

The Post Office says the new system will cost £3m to operate in a full year. It is in addition to a £15m efficiency drive intended to improve the operational side of mail deliveries.

Corporate finance expert is to join Lazard

BY NICK BUNKER

CMR NICHOLAS JONES, one of London's best known corporate finance executives, is leaving J. Henry Schroder Wagg after 12 years to join Lazard Brothers, a rival merchant bank.

Mr Jones, 40, led the Schroder team acting for Hanson Trust in its £2.7bn bid for Imperial Group in 1985–86 and then defended Standard Chartered Bank against last year's hostile bid from Lloyds Bank.

He will continue to do merger and acquisition work when he joins Lazard on July 1 but will also become one of the eight or nine managing directors who make up the bank's executive committee.

Mr Jones is the second well known corporate finance executive to join Lazard from another merchant bank in the last 12 months. Lazard gained Mr John Nelson from Kleinwort Benson last year.

Sir John Nott, Lazard's chairman, said he had been trying to build up a corporate finance team "as good as any other in the City.

"Most of our competitors have gone heavily into the securities industry. If we are going to stay small, then our people have to be as effective as any other corporate finance department."

COURTS TO INVESTIGATE WORLD OF EURODOLLAR

Libya tests US freeze

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE ARCANE world of the Eurodollar and the extra-territorial reach of the US Government are to be investigated for the first time by the courts in a High Court action starting today.

The case arises from sanctions imposed against Libya by President Ronald Reagan in January last year as part of his anti-terrorism drive, which included a freeze on Libyan assets in US banks.

Libyan Arab Foreign Bank, which is wholly owned by the Libyan central bank, is claiming about $300m from the London branch of Bankers Trust Company, the New York-based bank.

Part of the money – $131m – is in a dollar account in London; the balance, the Libyans say, should also be there and would have been if their instructions for it to be transferred from Bankers Trust in New York had been obeyed before the freeze was imposed.

Bankers Trust has taken the line that the money can be paid out only in the US and that, in any event, it cannot hand it over without breaching US law – the President's sanctions.

Libyan Arab Foreign Bank asserts that, the money being on deposit in London, it is entitled to demand repayment in London. The central, and most complex, question concerns a "usage" alleged by Bankers Trust to exist in relation to accounts and operations in the Eurodollar market.

Bankers Trust contends that demands for payments or transfers of Eurodollar funds can be executed only in the US through the clearing systems, the largest of which is the Clearing House Inter Bank Payments Systems (Chips).

Eurodoller accounts, says Bankers Trust, are not ordinary bank accounts giving rise to purely monetary obligations between customer and banker, but to obligations in the nature of credits whose discharge takes place by a transfer to a bank in the US designated by the customer, after inter-bank clearance in the US.

Libyan Arab Foreign Bank denies the existence of any such "usage"; contends that, in any event, its London account is a running deposit account that does not come within the Eurodollar market as described by Bankers Trust; and asserts a long-standing banking practice that money deposited in London is repayable there.

Last October, a Commercial Court judge gave the Libyans summary judgment on the claim for $131m, holding that Bankers Trust had no arguable defence and that the Libyans could demand payment in London.

Bankers Trust went to the Court of Appeal which, in December, gave it unconditional leave to defend the whole action, because the issues were too complex to be dealt with summarily.

In the Court of Appeal, Lord Justice Kerr said that it was common ground that the practices concerning Eurodollar accounts alleged by Bankers Trust did not apply to all US dollar bank accounts in the UK.

A substantial US Dollar Clearing Scheme had been in operation in London since 1975, involving many millions of dollars each day, for the presentation and settlement of retail US dollar cheques and similar items drawn on bank branches in the UK.

The judge said that, in ruling that the Libyans were entitled to summary judgment for $131m, the Commercial Court had based itself on the premise that the starting point was the principle that a bank account was located solely at the branch where it was kept and that a demand for payment must be made to, and executed by, that branch.

That, said Lord Justice Kerr, might beg the question. The authoritative academic writings in which such matters had been discussed were all concerned with accounts denominated in sterling or other local legal tender. It did not necessarily follow that the same principles applied to banking operations in relation to accounts in foreign currency.

Lord Justice Mustill said that it might be argued that there was no valid comparison between the ordinary sterling bank accounts by reference to which the well-recognised rules had developed over the years and the comparatively novel banking practices where very large dollar balances were maintained overseas primarily for investment purposes, with special mechanisms which had been evolved for dealing with them.

It might be, Lord Justice Mustill said, that the correct approach to the legal relationships created by the latter type of transactions was to start completely from scratch and ask, in the light of the entire commercial context, what rights and duties they must be assumed to involve.

Thomson switch from cheques

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

THOMSON Holidays, Britain's leading package tour operator, is planning to abolish the use of cheques by travel agents when they pass on customers' money.

Thomson will this week tell all 2,300 UK travel agents who still pay by cheque that it wants them to switch to electronic funds transfer by the end of the year.

The move will mean about 1m. fewer cheques processed a year.

"We want to do away completely with the cumbersome writing and processing of cheques," said Mr Tim Rundle, Thomson's sales development manager, yesterday.

"The banks can't cope with the volumes, we can't cope and, for the agents, cheques are a costly and unnecessary chore in the computer age."

Travel agents have to send cheques to Thomson and the other tour operators on a frequent basis because holiday reservations made by computer are not confirmed until Thomson has received the customer's deposit.

However, the introduction of the videotex booking system for all travel agents booking Thomson holidays has provided the basis for the system to introduce electronic funds transfer.

Under the system, which is called TAB (Thomson Automatic Banking), transfers from the agent's bank account to the Thomson account are made electronically once a week. Each travel agent has a confidential file on the system which shows details of bookings, with money due and payment dates.

Peat Marwick go back on top

By Andrew Taylor

THE continuing dramatic growth in UK accountants earnings is underlined by figures published today by Peat Marwick McLintock which has reasserted its position as Britain's biggest accountancy firm.

Peat Marwick earlier this year completed a merger with the Dutch-based accountants Klynveld Main Goerdler which included the UK firm Thomson McLintock. The merged group is now the world's largest accountancy organisation overtaking the US based Arthur Andersen.

Combined UK fee income of Peat Marwick McLintock rose by 26 per cent to £207m in the year to March 31 1987.

Coopers & Lybrand, Britain's second-biggest accountancy firm, last week announced that its fee income had risen by almost 20 per cent to £143m over the same period. Coopers two year ago ousted Peat Marwick as Britain's biggest accountants, a position it has retained until now.

Peat Marwick claimed yesterday that it would have resumed its number one position in the UK even without taking into account earnings from Thomson McLintock. Fees earned by Peat Marwick Mitchell alone rose by 28 per cent to almost £147m last year.

The growth in accountants' earnings has arisen for a number of reasons. Increased personal wealth has meant higher demand for tax advice while the general bouyancy of financial markets and increased takeover activity has also boosted demand for accountants' services.

Deregulation, last year, of the London securities markets has exacerbated demand for accountants' services. Peat Marwick McLintock said yesterday that fees from management consultancy, up last year by 48 per cent to £24.4m, had grown at a faster rate than in any other area of its business.

Fees from tax advice also showed a strong increase last year rising by 43 per cent to £38m.

Accountants are now the biggest private-sector employer of trainee graduates.

Stars put on style in Labour celebration

BY DAVID THOMAS

LABOUR'S stylish campaign kent completely transatlantic yesterday as Neil and Glenys Kinnock marched down a wide staircase through a balloon-festooned hall an da 10-minute standing ovation to speak to a cheering audience including five rows of showbusiness stars.

Glenda Jackson, the actress, welcomed Mr Kinnock as the next Prime Minister before he packed all Labour's campaign themes into a short speech.

The new-look Labour Party had chosen a design centre in Islington, North London's heart of yuppiedom and designer socialism ,to launch the last *week of its campaign.*

Hundreds of supporters had flocked into Islington Business Design Centre, once a derelict hangar, now housing graphics and design workshops.

There they found huge streamers decorated with Labour's red rose, giant bundles of balloons hanging from the rafters and dozens of celebrities—more or less famous—waiting to entertain them.

Islington is, according to *tabloid* legend, a centre of loonie leftdom, yet organisers of the tigket-only event managed to keep the ranters outside—all except three who were quickly led away when they tried to shout down Mr Kinnock.

About a dozen Trotskyists harangued the Labour faitnful outside the hall. "There are a few people in the Labour Party who are not rich and who do not sup off the fatted calf of British imperialism," shouted the fierce woman with the microphone in what was probably a gesture of friendship.

Inside the audience did not look particularly rich, even if they were a little younger and trendier than the typical Labour gathering—though not up to the standards of Ben Elton, doyen of alternative comedians, whose suit seemed to be made of Lurex.

He was master of ceremonies as about 20 stars, ranging from Clive Dunn ("Norman Tebbit—the thinking man's Stanley knife"), through Billy Bragg and John Williams to Larry Adler, cracked jokes, sang songs and played a mouth organ for a Labour victory.

Half the comics from the London alternative cabaret scene were there. One, dressed as a spiv, claimed to be Nigel Lawson selling state assets: "Wanna buy a nuclear power station? Don't worry about Chernobyl. That was different. They were Soviet particles trying to escape to a free country."

The City was an easy target. "Tory policies on law and order—take crime off the *streets and put it in the Stock* Exchange, where it belongs."

Another starlet sang the City election song, with the chorus line "That's why the lady gets my vote," to the tune of That's Why The Lady Is A Tramp.

However, the biggest cheer, before Neil and Glenys arrived, went up for an all-black gospel group, The Inspirational Choir, who had the audience standing and clapping to their jazzed-up version of old gospel tunes.

That was the perfect cue for the Kinnocks' entry down the presidential stairway. The Goldthorpe Colliery Brass Band, one of the few representatives of traditional Labour support, blew manfully above the cheering, a reminder of how much has changed in the Labour Party these past four years.

After eight years of Conservative rule, Mr Kinnock said, "there is greater fear on the streets, anxiety is used as an economic weapon, prejudice is given legal force, morality is a mixture of being economical with the truth and worshipping the gods of greed."

Mr Kinnock pledged Labour to spend more on education and training, on research and development, on science and the arts.

He argued that the Venice summit was likely to prove fruitless: "If this venture is anything like their previous sorties it will be an empty epic."

Party mood: Neil Kinnock and wife Glenys at yesterday's Islington rally

Celebrity hand for Mrs Thatcher after her speech at Wembley Conference Centre yesterday

Ashley Ashwood

Main election themes outlined by Thatcher at rally

BY JOHN HUNT

AS MRS THATCHER entered the final stretch of the campaign yesterday she pulled all her election themes together and pledged that under her government people would continue to live in peace protected by strong national defences, a firm law and order policy, freedom from industrial strife and freedom of choice.

Speaking to a rally of 3,000 supporters at Wembley Arena, she emphasised her commitment to one nation in an attempt to rebut Labour accusations that her policies have divided the country.

In anticipation of a renewed Labour attack over unemployment, she painted a picture of a thriving economy in which unemployment is falling and will drop further if the Conservatives are returned to power.

With the SDP/Liberal Alliance doing badly in the polls the Prime Minister concentrated her attack on Labour, with warnings of the dire consequences for the country if a Kinnock administration is elected.

Introducing a folksy touch she said that as a "mum" she thought that people who wanted a strong Britain belonged in "mum's army". Hitting out at Labour's non-nuclear defence policy, she predicted that when voters go to the polls on Thursday "Mum's army will include thousands of traditional Labour supporters."

She said that Labour's defence policy would answer the Kremlin's prayers, as Nato's strategy would be fatally weakened while Soviet defences remained intact.

Mrs Thatcher made a particularly strong attack on Labour over its policing policies and promised that a Conservative government would further increase the number of police officers.

She said: "The enemies of the British bobby are the enemies of liberty. Labour wants to bring the police under political control. The British police must never become the strong arm of political parties."

During the campaign, she said, the economic good news had continued to roll in. Unemployment was coming down "and we hope and believe it will continue to fall in the coming months." But, she claimed, Labour hated this success story.

The Prime Minister also renewed her warnings about Labour's proposals to repeal trade union legislation. They would bring back secondary picketing, she said, knowing the intimidation and violence that goes with it.

She also dwelt on wider share ownership and the Government's privatisation programme of which there was "more to come".

Two Davids try to seek solace among the boating voters

BY TOM LYNCH

THE ALLIANCE'S transport policy took a bit of a beating yesterday — or at least, the SDP's policy of double-parking its campaign bus outside Alliance HQ got on the wrong side of a London traffic policeman.

Two minutes after the driver left the bus double-parked with its engine running while he went to find some journalists he was taking to a rally in Richmond, an eager defender of the double yellow line leapt aboard and drove off.

Ignoring impassioned appeals over the mobile phone to bring back Dr Owen's travelling *headquarters—known to* fully paid-up members of the media circus as the Floating Voter—the keen constable drove on to the pound in the Old Kent Road, where the bus was last night still being held hostage against a ransom of £57.

It was probably just as well that the event in Richmond was water-based, with Dr Owen and Mr Steel taking to the River Thames in search of the boating voters. The advance billing was that the two Davids would arrive by powerboat, be greeted by four celebrities and a band and make speeches.

The powerboat turned out to be Lindsey, a large, stately vessel in battleship grey, which plodded steadily up the Thames, followed by a retinue of loyal cabin cruisers and disdainful of Tory placards wielded by the crews of rubber dinghies snapping at her heels.

Only two of the four celebrities turned up, and the planned jazz band did not materialise. Instead a lone piper played Cock of the North as the party leaders stepped on to the landing stage and continued playing bravely until drowned out by the public address system playing the Alliance's adopted snatch of Purcell.

The venue for the climax of the weekend's campaigning was well chosen — Richmond is the embodiment of affluent London suburbia, where being poor is to make do with a Metro for your second car, or only have one fondue set. But it is also a seat where the Tories had only a 74 majority over the Alliance in 1983.

So this was a place where a good crowd could be expected for the two Davids, and it duly turned out to clap and cheer and provide some of the *broadest welcoming smiles of* the campaign so far. A strong Tory contingent tried, and failed, to prove that the Alliance did not have the longest or most vicious placard handles and Dr Owen pronounced himself satisfied with the change in his usual diet of barracking from the left. At last he was being heckled by a Hooray Henry.

PM holds out little hope for Brittan

BY PETER RIDDELL, POLITICAL EDITOR

MRS MARGARET THATCHER, *yesterday discussed the West*land affair for the first time in the general election and appeared to hold out little hope of an early return to office for Mr Leon Brittan, the former Trade and Industry Secretary, who resigned at the time.

Interviewed by Mr David Frost on TV-am, Mrs Thatcher said the Westland affair (18 months ago) was "so small I was amazed that it was blown up." She repeated her regret at the leaking of the Solicitor-General's letter at a key moment in the affair.

She also admitted for the first time that she had said on January 27, 1986, the day of the key Westland *debate,* that "I may not be Prime Minister by six o'clock tonight." She said: "Oh, you suddenly come out with these things. I would not necessarily take them as if they had any very great, deep significance."

In relation to Mr Brittan and Mr Michael Heseltine, the former Defence Secretary, she said: "one is always sad when comparatively small things blow up and there are certain personality problems, when you lose two very able people. But you know life is like that, and it's just one of those things you have to accept and then you carry on."

Asked whether Mr Brittan might be disappointed by these remarks, she said, having been in politics "a very long time, I have known great joys, and great disappointments and if you have the one, then there are times when you have to accept the other."

In her interview, Mrs Thatcher explained her own attitude to private medical treatment. "After Brighton (the bombing in October 1984) we all went to the health service. It is absolutely fantastic in dealing with acute emergencies." She said she was "very lucky. I have only tiny minor things and I think it is best I do not take up a bed in the health service. There are 5m other people who think the same with me."

She stressed her belief in freedom of choice and said restrictions would imply compulsion as in the Soviet Union.

In an interview with the Press Association, Mrs Thatcher said under a Labour government the nation would be ruled again by "bully-boys and intimidators", that people's savings would be raided by Labour's policy of "calculated inflation" and Britain's renunciation of the nuclear deterrent would mean the collapse of a cornerstone of European freedom.

Rain fails to dampen Jenkins' polling spirit

James Buxton reports on an SDP founder's fight for a marginal

IT WAS the worst possible day for electioneering. Rain, ranging from heavy drizzle to downpour, barely let up for a moment.

Saturday morning, however, had been set for Roy Jenkins' motor calvalcade through his Glasgow constituency and it was going ahead regardless.

Some of the little knot of SDP workers looked dismayed when they heard at the briefing that the candidate would not after all be leaving his car to speak to the voters. Later is was pointed out that whether or not Mr Jenkins liked accosting people doing their Saturday shopping, the shoppers themselves would no like being kept out in the rain to pass the time of day with him.

The little calvalcade formed up near Roy Jenkins' flat in a Victorian terrace in the smarter end of the constituency. Mr Jenkins, hatless but wearing an overcoat and scarf, and his wife Dame Jennifer, emerged through the open sun-roof of a Rover, protected against bumps by a couple of cushions.

With a loudspeaker car in front, a special branch car immediately behind and a police van bringing up the rear, the cavalcade set off through the rain. Mr Jenkins smiled warmly and waved at everyone who saw him. An impressive number of people smiled or waved back, or shook their umbrellas up and down in enthusiastic greeting.

There was no denying that Mr Jenkins is a personality in Glasgow Hillhead. Some people even waved from the windows of the headquarters of the Labour candidate, who is George Galloway, the left-winger who runs the charity War On Want.

"It's much the most effective way of canvassing," said Mr Jenkins cheerfully when the cavalcade paused to re-group. "I'm going to go on doing it all day," he added, finally putting paid to my hopes of seeing him talking to any of his constituents.

"Of course," he said frankly, "this sort of thing would be hopeless for an unknown candidate who'd never appeared on television."

To those who do not already know, Glasgow is not the sinister city of cut-throats that its past reputation suggested, and Hillhead is its West End —including some of the best residential areas, Glasgow university, museums and the splendid botanical gardens. The better parts of it are reminiscent of Holland Park Avenue in London, with stone replacing the stucco. Much of the rest might be Hammersmith.

In other words, if the Alliance is going to win anywhere in this Labour-dominated city it should be here, as Roy Jenkins proved when he won the seat from the Tories in the momentous 1982 by-election. By the 1983 general election, boundary changes had given the constituency a more Labour complexion but Mr *Jenkins still won with 36 per* cent of the vote, leaving Labour 3 per cent behind.

In this general election Mr Jenkins no longer has to lead his party, as he did last time. However, he has still spent much of the campaign in London and the south for Alliance press conferences and television appearances, as well as visits to other constituences to support Alliance candidates.

"I believe I've spent two-thirds of the campaign here," he says, when he gets back to his flat a little weary (he is 66) after the afternoon session of perching on the transmission of the car for the constituency tour.

Inspite of the rain, the calvalcade is pronounced a success. To make that sort of judgment, he says, "needs subtle interpretation of a kind that I am quite experienced at. Just because you've waved at them doesn't mean that they'll necessarily vote for you.

"And you may just catch them looking the other way. But if you get direct eye contact and a spontaneous wave back it's almost as good as a canvass return—except you don't know who it's from."

"The campaign," he says, "is going thoroughly well in the constituency." He avoids any discussion of the national campaign.

However, he later underlines the fact that Hillhead is a highly marginal seat. To win, he says, means leaping a very considerable statistical hurdle.

Last time Labour won 33 per cent of the vote in Scotland. This time, according to the only overall opinion poll taken in Scotland during the campaign, Labour is more than 10 points above that.

The SDP campaign aims at working once again the magic that won Mr Jenkins the seat in the first place — the allure to the highly educated part of the electorate of having this immensely experienced and dis*tinctly bookish national figure* as MP.

The campaign's crucial target are those people who would normally vote Tory but might be prepared to vote Alliance to keep Labour out and Roy Jenkins in. As Mr Jenkins' campaign manager says, "tactical voting was virtually invented in Hillhead."

And anecdotal evidence suggests that it is still a powerful force here.

High-tech sector doubts

ONE-TENTH of all jobs in high-technology industries—"the *boom sector in the Thatcherite* economy of the future"—have disappeared since 1979, Mr Gordon Brown, Labour' regional affairs spokesman, said yesterday.

He claimed that research being conducted at Cambridge University showed that the past record and future prospects of the sunrise industry were far from bright.

It also showed the failure of the high technology sector in areas where traditional industry had also colls psed, in particelar the north-west, Scotland and the West Midlands.

"The Cambridge research shows that since 1979 more than 100,000 jobs have disappeared in high-tech industries.

"Now, fewer than one in every 16 British workers is employed in the sector that Mrs Thatcher looks to for the future of British industry. This is a substantially worse position than our major industrial competitors."

Peter Riddell examines pitfalls in the polls

Tory hopes could still be left hanging

THE TORIES seem to be headed for a working Commons majority next Thursday but are they invulnerable?

The opinion polls have certainly shown a remarkable stability in party ratings over the past three weeks. However, past precedent suggests that support for the governing party, as measured by the polls, tends to decline in the few days up to polling as voters make up their minds.

This may reflect errors in the polls themselves. In 1970 almost all polls got the result wrong by not interviewing up to the last minute thereby missing a late shift to the Tories. Even in the two 1974 elections the final polls overestimated the leader's margin by 2.2 and 4.2 percentage points respectively. There was a similar trend in 1979.

In 1983, the polls also all predicted a higher Conservative vote than actually occurred, by an average of 2.7 percentage points, and underestimated Labour support by 2.1 points. This probably reflected a combination of late swing and errors in the polls. After all, the pollsters themselves talk of a margin of error in sampling of 2 per cent or 3 per cent and the Market Research Society has suggested four points might be more realistic.

If these figures were repeated on Thursday, Tory support might decline from *the present 42.5 per cent to* 40 per cent, with Labour up to 36.5 per cent. On the assumption of an even national distribution of votes this would leave the Tories with an overall majority in single figures.

There is no reason why this pattern should be repeated. There has so far been a consistency of ratings not seen in previous campaigns, although Labour hopes that Mrs Thatcher's remarks on Thursday about the health service and private insurance will begin to boost its poll rating over the next two days.

While the pollsters' final *projections got the Alliance* share largely right in 1983, this followed an upsurge over the last 10 days which has not so far appeared. ... ...

Both the trends so far this campaign and the past record suggest that the Tories have a sufficient safety margin to last until Thursday. But a hung parliament with the Tories the largest single party cannot yet be entirely ruled out.

Alliance needs 'visibility of success' if it is to put pressure on Labour

By Peter Pulzer

AT THIS STAGE in the last election campaign, the Alliance had begun to take off, Labour was hovering on the 30 per cent line and the Conservatives were beginning to wobble.

This time there appears to have been virtually no movement in the last 10 days. Tank warfare has given way to trench warfare. Since the start of the campaign, only one poll, excluding the Harris "rolling-poll" on TV-am, has put the Alliance below 20 per cent, only three have put Labour above 35 per cent and none has put the Tories below 40.

The gap between the main contenders is now in single figures, not double as in the first two weeks of the campaign, but that is about all.

There are, however, a number of caveats to concluding that all remains the same. In trench warfare the map may not change much from one day to the next, but there are still many casualties. So it is this time.

According to the Sunday Times Mori panel poll — the most reliable for measuring movement, since the same respondents are re-interviewed — 17 per cent have changed their minds in the past fortnight. Gallup in the Sunday Telegraph puts the figure at 13 per cent. So there is plenty of movement; it is just that almost all has been self-cancelling so far.

The extent of the movement should not be a surprise. Most people lean towards one party, but only a minority is firmly anchored to it.

The second, and potentially more important, caveat is that there has been much more movement in response to questions other than those about voting intention. The leadership question has evoked the biggest turnaround. There seems to be unanimity that Mr Kinnock has fought the best campaign and he has risen most in the electors' favour.

That does not mean most people want him as Prime Minister; we may applaud the salesman's patter and still not buy the encyclopaedia. No poll has put Mr Kinnock ahead of Mrs Thatcher as preferred Prime Minister. Moreover, British elections are not presidential plebiscites. Mr Attlee, Mr Heath and Mrs Thatcher all became Prime Minister despite lagging in personal popularity. What it does mean is that uncertainty has been sown. Fewer voters discount Mr Kinnock as a serious politician than three weeks ago. An obstacle to voting Labour has been removed.

There has also been movement on policies. In part this simply reflects the parties' choice of themes. In the first week of the campaign the number of those who named defence as important almost doubled. In the second educa*tion rose by almost as much.* Last week, predictably, it was health.

That in itself tells us nothing about any impact on voting intentions. For that a *topic* has to become an *issue.* An issue is not simply something one considers important or worrying.

It is a topic on which opinions are not divided along strictly party lines, on which the parties are favoured unequally, which *may therefore bring* about a switch in voting intention and, in an extreme case, determine an election outcome.

Not every election topic therefore qualifies as an issue. In 1979, for instance, extremism in trade unions was frequently named as important. Closer investigation showed that *almost all who did so* were strong Conservatives. As a vote determinant, therefore, it had little weight. It was not, on our definition, an issue.

In this election defence, education and health services qualify as issues. Parties raise themes both to persuade and to deter. Labour seems to have lost few votes over its defence policy, presumably because its content was already well-known.

The great majority of those who named defence as important were non-Labour voters. But at the least some of these must have been potential switchers. Defence is therefore an issue in the sense that it put a ceiling on Labour's support.

Health and education are even clearer issues. They have been responsible for such seepage as there has been in Tory support, as measured by the panel surveys. Unemployment, however, does not look like one. It is still at the top of voters' concerns, but the competence gap has been narrowing. It therefore does not fulfil the condition that the parties must be favoured unequally.

When parties try to turn a topic into an issue, they do just that: to raise the salience of a topic that they hope will undermine a voter's allegiance. They do not always succeed in this. One suspects that the "iceberg" argument is like the extremism question in 1979. It reinforces, but does not convert.

What, if anything, can still happen in the last six days — six days, because all polls are slightly out of date and interviewing for the Sunday papers' polls mostly stopped on Thursday?

Labour has done best out of the "*don't knows*," now a diminishing band; and its improvement in campaign style appreciation has slowed down. It has probably reached a plateau.

The Conservative campaign has gone down less well, both in the general quality of its presentation and in Mrs Thatcher's personal style. This has not so far affected the Conservative rating. If there is to be a seepage between now *and polling* day *it will* be on those grounds. Mrs Thatcher could yet become what her opponents want her to be—an issue.

As for the Alliance's hopes of a last-minute surge, one can only quote P. G. Wodehouse to the effect that any moment may be the last. The rule, first observed in 1964 and February 1974, and spectacularly confirmed in 1983, that third parties benefit *from campaign* ted itself.

As precedent has shown, the Alliance needs the visibility of success to succeed. If it has now stabilised its position, as Mori suggests, if it can continue its net gains from the uncommitted, if it can halt its net losses to Labour, if it can again squeeze the Labour vote in its target seats, and if Mrs Thatcher becomes an issue to her disadvantage—then it may yet enjoy its pickings in Chelmsford and Hazel Grove. If.

The author is Gladstone Professor of Government and Public Administration at Oxford University and a Fellow of All Souls.

UK NEWS – THE GENERAL ELECTION

Incomes of poor 'down by 15% under Tories'

BY ALAN PIKE

THE Conservative Government has remorselessly pursued a policy of two nations under which inequalities between rich and poor have grown, a Child Poverty Action Group report claims today.

Poor families with children suffered a drop in real income, depending on family size, of 15.7 per cent to 27.2 per cent between 1979 and 1985, says the report. People in the bottom tenth of national incomes had seen their real incomes fall by an average of 9.7 per cent between 1979 and 1985, while the top fifth of wage earners had enjoyed real salary increases of 22 per cent since 1979.

The claims are contained in The Growing Divide, a pre-election commentary on social policies since the Conservative Party came to power in 1979. Chapters have been contributed by CPAG staff and a number of academic specialists in poverty and social policy.

Professor Alan Walker, Professor of Social Policy at Sheffield University, says in a conclusion that the "weight of authoritative evidence" in the report builds up to the overwhelming conclusion that "Britain is a much more sharply divided society in 1987 than it was just eight years earlier."

The report is not arguing, says Prof Walker, that divisions based on class, race, gender and age began with the election of the Conservatives in 1979. But the Government had helped to widen and deepen these divisions, "sometimes to a catastrophic extent."

Growing unemployment had been one of the main causes of the increase in poverty since 1979. Rather than simply being the by-product of a world recession, the British Government had consciously chosen unemployment as a tool of social and economic policy. It had been able to do so because the burden of unemployment was not borne equally.

"Thus it is the same, predominantly poor people in the benefit and low-wage sectors who have experienced the lowest rises in income over the last eight years that have also been hit hardest by unemployment."

Two groups — women and black people—had been singled out for particularly harsh treatment by the Conservative Government. Unemployment among women had increased more sharply than among men, and there was ample evidence of discrimination in the labour market against those from ethnic minorities.

"The policy of two nations has been pursued remorselessly since 1979," says Prof Walker. "The Government has exacerbated changes in the distribution of industry and employment and the increasing segmentation of the labour market, rather than attempted to ameliorate them as previous governments have done."

Mr David Piachaud, reader in Social Administration at the London School of Economics, estimates that 1m more men, 1m more women and 1m more children are living at supplementary benefit level in 1987 than in 1978. But compared with incomes in general, supplementary benefit levels had fallen considerably. Ironically, a government committed to economic independence had overseen a steep increase in economic dependence on the state.

Ruth Lister, director of the action group, said that while the Labour Party and Liberal-SDP Alliance appeared to agree that an attack on poverty had to be a priority for any incoming government, the group was unable to give an unqualified welcome to either party's proposals.

"The limited nature of the opposition parties' commitment to redistribution reflects a long-standing tendency on both left and right to subordinate social policy to economic policy. In our view this is short-sighted and misguided. Of course economic policy is important, but it is not an end in itself."

The Growing Divide — A Social Audit 1979-1987. £4.95 CPAG Publications, 1-5 Bath Street, London EC1V 9PY.

Bookies' odds show voters true intentions

By Jeremy Bennallack-Hart

OPINION POLLS can show what they like, it is bookmakers' odds about the election outcome that reveal what voters' intentions really are.

Why? Because the odds about any particular result are dictated by the amount of money wagered on that eventuality and because someone who has put cash on party A to win is most unlikely to change track and vote for party B on Thursday.

If that argument is well-founded, Mrs Thatcher will be back in Downing Street but with a much reduced majority.

Current odds have the Tories at 6-1 on (bet £6 to win £1), with Labour at 4-1 against and the Alliance 200-1. The odds about no overall majority have been cut from 4-1 to 2-1 and 7-4 in the past week. In the same period, the Alliance has drifted from 25-1 to its present price while the Tories eased a point or two and Labour hardened by a similar amount.

A study of odds about the size of the winner's majority would seem to suggest the most likely outcome is a Tory victory with somewhere between 25 and 66 seats in hand.

However, the "big four" bookmakers — Coral, William Hill, Ladbrokes and Mecca — report that business has been light so far and that high-rollers with the "big money" are expected to move in this week. Ladbrokes had taken £300,000 on the election by the end of last week and expected that to rise to £500,000 by Thursday.

If the high-rollers do enter the market the weight of their money could play havoc with the odds. William Hill says the big money comes in just before the off because backers are looking for a swift return on their investment and want to allow as little time as possibe for effect of opinion polls and feet in political mouths.

Five-figure wagers are relatively common. According to the Guinness Book of Records the largest bet on a general election was taken by Coral in 1983 when a client wagered £90,000 to win £20,000 that the Tories would have the most MPs.

In 1964—when money was money — Ladbrokes took a £50,000 bet from Sir Maxwell Joseph on Labour. Not everyone wants to have his betting practices publicised, of course, and larger sums, well into six figures, have been wagered.

The trouble is that odds-on chances sometimes do get beaten. In 1970 Labour looked home and dry a few days before the election, being quoted at an unbackable 12-1 on with the Tories at 8-1 against.

Another snag is that backing odds-on shots is hardly rewarding if betting in relatively modest sums and the 10 per cent betting tax makes such a wager even less attractive. It is possible to avoid this by placing an election bet with a bookie at a racecourse, the on-course levy having been abolished in the Budget this year. However, while such a manoeuvre is legal, it is rather outside the spirit of things and the bookie may not be over-enthusiastic.

For those who have the misfortune to lose their wagers on Thursday, fear not; bookies are always delighted to help with clients' investment and on Friday they will be offering odds about the parties next time round. The election book never closes.

Malcolm Rutherford on a contest pitting zest against eccentricity

THE LONDON constituency of Kensington ought really to be re-named Notting Hill. Only then would the bulk of its electorate begin to understand what it is all about. For Kensington must be one of the most cosmopolitan constituencies in the country; more like a bit of New York than the rest of Britain.

It was not always so. There used to be a constituency called South Kensington which was one of the safest Tory seats in the country. There was another called North Kensington which was Labour, though less sweepingly so.

In the boundary changes of the early 1970s the two were brought together. Kensington became marginal. More than a decade later, however, it is doubtful how many of the electorate realise what a precarious seat they live in: precarious in political terms, and in social harmony.

The line down the middle is not quite the Bayswater Road, Notting Hill Gate, Holland Park Avenue route that is one of the main arteries in and out of central London. Many people who would like to live in the south of the constituency now buy property in the north because the prices in the south have become impossible. So the north is becoming, in the dreadful word of the 1987 campaign, "yuppiefied."

Still, as a dividing line, Notting Hill Gate will serve. Just to the north of it Alliance posters proliferate. Mr Roy Jenkins lives there. Further to the north Labour self-evidently holds sway; although there are undoubtedly Tory voters around, they prefer to keep quiet about it. In the south there are very few posters at all.

It could be called — indeed sometimes is — a perfect example of the "north-south gap" or the "two nations." But that is too crude. Not all those in the north, including the blacks, are poor, and not all in the south are rich.

The more you look at the area the more it becomes apparent that the two sides have problems in common. Chief among these is housing. This is partly because there is very little space left to build on: much of the property in the south is listed and cannot be pulled down. It is also because of the inexorable pressure from those wanting to move in.

In the south it was the Arabs who came first when the oil revenues were in full flood. Now it is the very rich preparing to move out of Hong Kong and ready to pay almost any price for a Kensington residence.

The pressures on the south force people to the north and that, in turn, disrupts the northern communities. Those communities are by no means predominantly black, despite the fame of the annual Notting Hill Carnival. There is an enormous racial mix: Moroccans, brought in to supply cheap labour to London hotels in the early 1960s, Poles, Irish. Most residents are still ordinary British whites.

On the whole, they live together harmoniously, but it is a shifting population and the harmony should not be taken for granted. Homelessness has become a serious problem; there are now beggars on the streets of Kensington and the numbers are growing.

The electoral figures are revealing. In what looks like a densely populated area, the electoral roll last time was under 50,000—well below the national average. The turnout was only 62.3 per cent, one of the lowest in the country.

Many people are either ineligible to vote or do not bother. Indeed one has the impression that neither side of Notting Hill Gate knows how the other half lives.

Yet Kensington is lucky in its candidates who are aware that they must fight the campaign on both sides of the divide. For the Alliance Mr William Goodhart stood last time, knows that his chances are slight because of the polarisation in the constituency, and will make this his last. He has done the SDP some service by standing at all.

The Conservative candidate is the wholly eccentric Sir Brandon Rhys Williams who used to fight Ebbw Vale, won Kensington South in a by-election in 1968 and has managed to hang on, despite the changed boundaries. Sir Brandon votes against the Government whenever he chooses, which is quite often, and is campaigning on a kind of alternative manifesto: the right to raise issues which the official manifesto does not touch.

His knowledge of such questions as housing, pensions and social security benefits appears encyclopaedic. He is, in fact, an old-fashioned Liberal.

Labour's man is Mr Ben Bousquet, a black local councillor of long standing who also fought the constituency last time. He and Sir Brandon respect, perhaps even like, each other. Both have an acute understanding of the underlying problems of what Sir Brandon describes as something "very near to being a racism-free zone," though Mr Bousquet would not go that far and Sir Brandon was laughed at by part of the audience when he made the claim at a joint meeting of all the candidates.

Mr Bousquet would grace the House of Commons and Sir Brandon knows it. He brings a zest to the campaign—pop groups, guest appearance by Ken Livingstone, motorcades and balloons galore — that belongs to the spirit of the Notting Hill Carnival. He is also deeply serious. His problem lies on the other side of the road.

1983 result: Sir B. Rhys Williams (C) 14,274; B. T. Bousquet (Lab) 9,173; W. Goodhart (SDP) 6,873; J. Porritt (Eco) 649; T. Knight (Ind) 86. C majority 5,101. Turnout 62.3 per cent.

Candidates: Sir B. Rhys Williams (C); Mr B. T. Bousquet (Lab); Mr W. Goodhart (SDP); Mrs V. Hughes (Public Independent Party); Mr R. Shorter (Green); Miss L. Carrick (Humanist).

Ben Bousquet: 'would grace the House of Commons'

Debbie Osborne

Divided constituency with problems in common

Steel denies Alliance has 'thrown in the sponge'

MR DAVID STEEL, the Liberal leader, yesterday denied reports that the Alliance had "thrown in the sponge" and had conceded that Mrs Thatcher would win the general election.

Mr Steel, interviewed on LBC Radio, said it was certainly "not too late" for a surge in Alliance support in the opinion polls.

He found it "extraordinary" that one or two newspapers were trying to suggest, because the Alliance had read the polls the same way as everyone else and pointed out that the Tories were in the lead, that this meant the Alliance had thrown in the sponge.

"There is every prospect now that we can bridge the gap between Labour and Conservatives and provide a very different House of Commons after the election from the one we had before. That is our objective and I am sure we can do it," said Mr Steel.

The Liberal leader forecast that because of the work put in at grassroots level by the Alliance, the party would gain more MPs on Thursday.

Even if they did not have enough seats to bridge the gap, they would certainly have enough to moderate the Thatcher government, went on Mr Steel.

Dr David Owen, the SDP leader, said on the same programme that if the Alliance held the balance of power it would negotiate and force changes in the other parties' policies.

He said the Alliance would not put up with a minority government and would not vote for the Queen's Speech from a group of people who would not negotiate.

Later in the interview Dr Owen attacked Labour's tax plans and warned that a childless married couple earning £7,000 a year would lose £370 a year in addition to the extra 2p on the standard rate of income tax Labour planned to impose.

Owen's warning on trade

A CHECK in the growth of world output and trade would hit British exports and force oil prices down, pushing the balance of payments deeper into the red, Dr David Owen, the SDP leader, warned yesterday.

In a statement on the eve of the Prime Minister's departure for the Venice economic summit, he argued her to persuade other leaders of "the imperative need for concerted action to stem the tide of impending protectionism and the threat to world economic growth."

Labour accused of deliberate tax 'deceit'

BY PETER RIDDELL, POLITICAL EDITOR

CONSERVATIVE AND Labour leaders clashed at the weekend about the number of people who would be adversely affected by the opposition's tax proposals.

Mr Nigel Lawson, the Chancellor, headed a concerted Tory attack alleging "deliberate deceit" by Labour in not disclosing in its manifesto the proposal to abolish the married man's tax allowance.

He said the abolition of this allowance would take at least £7.64 from 6m couples, while the removal of the upper earnings limit on national insurance contributions would hit all earners above £15,000. He said this came on top of the commitment to reverse the 2p cut in the basic rate of income tax.

The Tories have produced tax tables based on the assumption of the Tory target of a 25p in the pound basic tax rate compared with 29p under Labour, together with the abolition of the married man's tax allowance and removal of the upper earnings limit for employee insurance.

On this basis, the increase in income tax and national insurance for a married couple without children would be £6.80 a week for a husband with an income of £70 a week. This would rise to £12.75 for those on £200 a week and £29.75 on £400 a week.

However, these calculations take no account of Labour's proposals to increase child benefit, particularly for the first child, by £7.36 a week, which would benefit married couples with children.

Mr Roy Hattersley, the shadow Chancellor, immediately denied that millions of childless couples would be worse off under Labour's plans. He said: "What we have said is that we will have independent taxation for married couples. That is not the same as simply abolishing the married man's tax allowance."

On the removal of the upper contributions limit, Mr Hattersley made "a categorical assurance that no one under £500 a week will suffer. They will suffer from the increase in value added tax and poll tax which Mr Lawson proposes, but they won't suffer under a Labour Government."

Mr Ian Wrigglesworth, the Alliance trade and industry spokesman, said Labour could not deliver, while the Tories were dishonest since only the very rich now pay less in tax than in 1979. He said the Alliance could and would tackle poverty by giving higher benefits to those with the lowest incomes.

Infrastructure improvement 'could create jobs for 1m'

BY JIMMY BURNS, LABOUR STAFF

WORK on improving Britain's neglected infrastructure could provide jobs for 1m people over the next six years or keep 250,000 long-term unemployed in employment for the rest of their working lives, according to a report published today by the pressure group Charter for Jobs.

The report estimates that there is at least £92bn of work waiting to be done on "pot holes and cracks in the roads, inadequate housing, and badly neglected hospitals and schools."

Charter for Jobs recognises that much of the survey is based on "intelligent guesswork" using only a limited amount of information about the assets themselves.

"It is our view that the available estimates do give us a reasonable idea of the scope for useful rewarding work that could be done and which most people would like to see done. The only thing necessary to undertake them is political will," it says.

On housing the report says the situation of housing stock has considerably deteriorated since a sample survey in 1981. The total cost of meeting present housing needs is estimated at £85bn.

The backlog of work for primary and secondary schools is estimated at about £11bn while in the health service total backlog of work needed on repairs is calculated at £2bn.

About £4bn is needed on water mains, sewers, and sea defences. The report says in connection with roads that "statistics confirm many people's perception that the condition of our local roads has considerably worsened in the recent past." The survey, however gives no precise figures.

Powell hits at nuclear deterrent

MR ENOCH POWELL yesterday by implication endorsed Labour's non-nuclear defence policy, describing the retention of an independent British nuclear deterrent as "barmy."

Speaking in London to the Defence Information Group, the Ulster Unionist and former Conservative politician stopped short of urging voters to support Labour, as he did in the 1974 election.

Mr Powell said a recent government statement on defence policy amounted to saying "that in the event of Russia invading Western Europe and the United States not responding by nuclear war, Britain must be able and ready to react by nuclear attack on the Soviet Union.

"It almost defies belief that grown men and women could seriously propose so crazy a scenario: Russia invades Western Germany—or northern Norway maybe—and the United States declines to commit suicide.

"So Britain fires a nuclear salvo at Moscow and Leningrad. How barmy do you have to be to believe that, or to believe that the Kremlin believes that?" asked Mr Powell, who is standing for re-election in South Down.

"The salutary event of Chernobyl strengthened and crystallised an already-growing impulse to escape from the nightmare of peace being dependent upon the contemplation of horrific and mutual carnage.

"Events have now so developed that this aspiration can at last be rationally, logically and—I dare to add—patriotically seized by the people of the United Kingdom, if they will use their votes to do so," said Mr Powell.

He said Mr Kinnock was grossly misunderstood when he was "arguing correctly that the Soviet Union, which has failed embarrassingly to occupy Afghanistan, is not in the business of attempting to conquer and govern Western Europe."

Runcie urges wise government

THE Archbishop of Canterbury, Dr Robert Runcie, yesterday called for a competent, wise and versatile government.

Speaking at Canterbury Cathedral Dr Runcie said the "combative election campaign" had seen "strident notes of discord and invective"

"Whatever government emerges from the election on Thursday, we shall all wish and pray that it may prove a competent government."

N Irish eyes look to three key seats in Friday's count

Hugh Carnegy on Ulster's keenest poll battles

WHEN counting starts in Northern Ireland at a civilised hour on Friday morning—long after the election outcome across the water is known—most attention will turn to three of the province's 17 Westminster seats.

Can Mr John Hume's moderate nationalist party, the Social Democratic and Labour Party, upset Mr Gerry Adams of Sinn Fein, the political wing of the Irish Republican Army, in West Belfast?

Will Mr Enoch Powell, a few days short of his 75th birthday, hang on once more to the seat in South Down he has held for the Official Unionist Party since 1974, or will the SDLP overhaul him at last?

How will Unionist voters in North Down respond to Mr Robert McCartney, the abrasive QC whose denunciations of the Unionist campaign against the Anglo-Irish Agreement have rattled the Unionist establishment and whose candidacy challenges the sitting MP, Mr James Kilfedder?

Taking the last first, North Down has provided one of the most fascinating contests of an otherwise rather lack-lustre campaign.

John Hume: worried about voter apathy

Mr McCartney, a former OUP member, had for some time attacked the anti-agreement pact between the OUP and the Reverend Ian Paisley's Democratic Unionist Party as being ill-led and misdirected. When the two parties decided that all 14 sitting Unionist MPs should not be challenged by other Unionists in the election, his rebellion broke cover.

He was expelled from the OUP and is now fighting Mr Kilfedder, ironically an independent Unionist who split himself from the party in the past. His campaign roasts the two parties for boycotting Westminster and calls for Scotland-style integration, with mainstream UK parties organising in the province.

Mr McCartney seems to have struck a chord with a good number of Unionists who have become frustrated by the Westminster boycott and disillusioned by the lack of progress made by Mr James Molyneaux, the OUP leader, and Mr Paisley, who himself faced a number of resignations from the DUP following the joint election campaign decision.

The McCartney campaign has led to extraordinary scenes by recent Unionist standards. In the weekly market in the sedate town of Bangor last Wednesday, Mr McCartney and his supporters engaged in a megaphone shouting match with Mr Kilfedder and other Unionist MPs drafted in to help him.

"You're looking at the failed symbols of Unionism," roared Mr McCartney, a silver-haired, six-footer reared in the Shankill Road, Belfast's Protestant working-class heartland.

Mr Kilfedder won a 13,846 majority in 1983 and should hold on, but he and the two main parties have been alarmed by the McCartney campaign. They are especially worried on the Westminster boycott issue and are quick to reassure voters that they will be back in the House after the election.

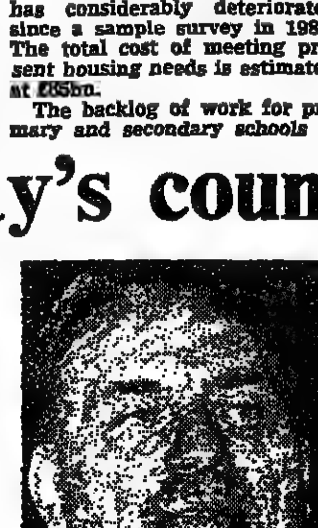
The third candidate in North Down is Mr John Cushnahan of the non-sectarian Alliance Party, who came second to Mr Kilfedder in 1983. He hopes his party will ipmrove its previously marginal, province-wide standing by attracting voters disillusioned by the Unionist bickering.

A source of criticism for the OUP-DUP pact has been the thinness of their manifesto which deals only with the issue of opposing the Anglo-Irish Agreement. A document setting out an alternative policy has been drawn up but is being kept under wraps by the leadership until the shape of the new Government is clear.

This is chiefly because Mr Paisley and Mr Molyneaux want to keep their options open in the hope of a hung parliament in which they can use their block of Unionist seats to wring concessions on the agreement out of an aspiring Prime Minister.

Mr Powell would be a key figure in such bargaining. However, his return in South Down is by no means assured. Nationalists are in a narrow majority in the constituency and the SDLP has thrown as much weight as it can muster behind candidate Mr Eddie McGrady. To win, Mr McGrady must take votes from Sinn Fein to diminish the split in nationalist voting.

Across the province, the battle between Sinn Fein and the SDLP, which polled 13.4 per cent and 17.9 per cent of the votes respectively in 1983, will be closely watched for evidence that the Anglo-Irish Agreement, which the SDLP supports and Sinn Fein opposes, has made the positive impression on nationalists it was supposed to make.



Enoch Powell: key figure for bargaining

If it has, and the gap between the SDLP and Sinn Fein widens, then Mr McGrady's chances will be stronger. Any fears that Mr Seamus Mallon, Mr Hume's deputy and MP for Newry and Armagh, might lose would be dispelled and Mr Joe Hendron, the SDLP candidate in West Belfast would fancy his chances against Mr Adams.

The main SDLP worry is that apathy and a feeling that yet another election will change nothing will keep people at home. On the other hand, the party has some hope that nationalists are growing weary of the IRA.

If that were shown to be the case, especially in West Belfast, it could have far-reaching consequences within both the IRA and Sinn Fein, especially following Sinn Fein's lowly performance in the recent Irish Republic general election. The pressure from within to concentrate more on violence and abandon the political campaigning of the past six years would surely grow.

All this remains speculation until Friday afternoon, the more so because there have been no opinion polls during the campaign to guide judgment on the outcome—quite a contrast with the poll-dominated campaign in Britain.

Matsushita Electric

Battle-ready with a $13bn cash mountain

Carla Rapoport explains the austerity of Japan's electronics giant

PEDDLERS pushing hand-carts filled with junk can still be seen weaving their way through heavy traffic in Moriguchi, a nondescript urban area of *Osaka, Japan's second largest* city.

Considering its unappealing, low-class appearance, Moriguchi is not the sort of community where one would expect to find the headquarters of the world's largest consumer electronics company, Matsushita Electric. But Matsushita and Moriguchi suit each other. Despite the worldwide success of its National Panasonic, Technics and Quasar products, Matsushita clings to the austerity and anonymity of the gritty Moriguchi streets.

As a result, visitors to Matsushita are often stunned to find that a company with sales of more than $30bn a year lives and works so modestly. The hallways are bare, the offices crowded, the small executive dining room offers only a set lunch. The company car is more often than not a taxi. Overseas, the company has never projected a corporate image, so most foreigners are even unsure how to pronounce *the company's name. (Mat-soo-*shita is the most common pronunciation.)

But Matsushita, in fact, depends on its austere surroundings to help create an atmosphere of battle-readiness that it believes is needed if the *company is to sustain its* momentum in the uncertain times ahead. The appreciation of *the yen has indeed turned the* screws on Japan's major exporters. But the Osaka giant *is hardly in danger of going out* of business. Matsushita has stacked up a surplus of $13bn in its balance sheet, the spoils of its huge success with the video-cassette recorder and years of exporting with a cheap yen.

Only a few years ago, GEC's cash mountain of £16bn was the talk of the UK financial community. But no-one in Japan, including the company, mentions Matsushita's billions. Like the Japanese attitude to the country's huge current account surplus it is not considered wealth.

"Nippon Steel once had an enormous amount of cash, but now it is declining. Twenty years ago, no one thought steel would decline. No-one knows *what will happen in the future,"* says Tsutomu Fukuhara, the plain-speaking general manager *of Matsushita's corporate plan*ning office.

It is hard for foreigners to understand how a company with such a large cash mountain can feel it is under such severe pressure, but this is the mood one senses at Matsushita. The ability of Japan's major companies to foster a fighting spirit among its employees is one of the country's greatest tools. While the rest of the world hammers at Japan to act more like a rich country — that is, spend more and export less — the Japanese continue to feel *that they* are really a poor country, ill-suited to a rich man's way of life.

So, Matsushita *is ignoring* the cash and pushing ahead with a long-range strategy of corporate change. As the country's largest maker of VCRs, colour TV sets and industrial robots and one of Japan's major exporters, Matsushita is feverishly reorganising its business to maximise profits in the wake of the yen's appreciation against foreign currencies. Its strategy is two-directional—pushing more production into cheaper overseas locations and increasing R&D spending in order to find higher-tech products for domestic plants. It has no thought of using the money to *buy its way into new businesses.* Its goal is to maintain its premier place in consumer *electronics for the next several* decades.

The future, then, will belong to those companies which can make more out of the development and marriage of current technologies. This means miniaturising office equipment, for example, and introducing it to the domestic market. A telephone / facsimile / answering machine which can also make photocopies is one such product. Another direction is focusing high-tech design on a simple task: one of the company's hottest-selling products *in Japan at the moment is its* home bakery, a machine which kneads and bakes a loaf of bread automatically, in less than four hours.

While Matsushita will not be *seeking to buy technology* through the acquisition of ailing competitors, its goal is instead *being* achieved by *in-house* research or joint ventures and tie-ups with established *companies.*

"We must promote the division of labour with the newly *industrialised* countries (Nics) and promote joint ventures with European companies. Otherwise *it* will be difficult to survive," says Fukuhara. "Mergers and acquisitions provide no pluses or minuses *to the national economy.* It certainly hasn't revitalised the US economy," he says, with an audible trace of irony.

Although the company is behind schedule on its shift of production overseas, it has increased its overseas manufacturing by 14 per cent per year, in dollar terms, over the past three years. It *is acutely* aware of the growing problem of unemployment at home, however, and *says that it remains* committed to preserving its own 60,000 jobs as well as the live*lihood of its 500 suppliers. So* far, it says, none of those suppliers has gone out of business.

Those jobs will best be saved by supplying local factories with new products coming from a much wider area than consumer electronics. The company is now concentrating its capital spending and R&D efforts on four main areas: office automation, factory automation, semi-conductor technology and audio/visual sectors. Indeed, *non-consumer products* already account for about 30 per cent of total sales. But most important, each of the four areas overlaps and feeds on the other.

Backing up the development of these areas is continually increased R&D spending. Despite the fall in the yen and the squeeze on profits (profits were down 35 per cent in 1986 and 25 per cent in the recent four-month reporting period ending in March). R&D spending has been allowed to surge ahead, between 1984 and 1986, it *increased by 25 per cent to* Y250bn. *Its* ratio to *sales* climbed from 4.2 to 5.75 per cent.

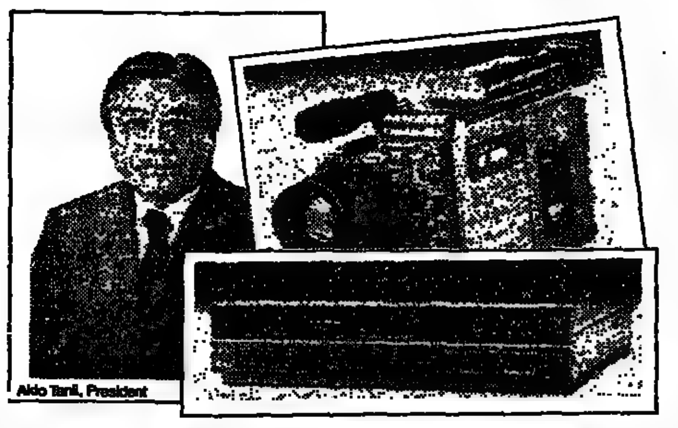
Matsushita remains reluctant to spell out specifics in the com*petitive area of new product* development. Executives talk about scaling down office equip*ment for use in the home, about* marrying computer functions in easy-to-use home appliances, *and other cross-hatching pro*ducts.

However, Matsushita is not known as an innovator within Japanese industry, but rather as an efficient manufacturer with immense marketing muscle. But Dr Shigeru Hayakawa, senior managing director in charge of research and development, says being first is now a top priority and he provides some clues as to where future firsts will come from.

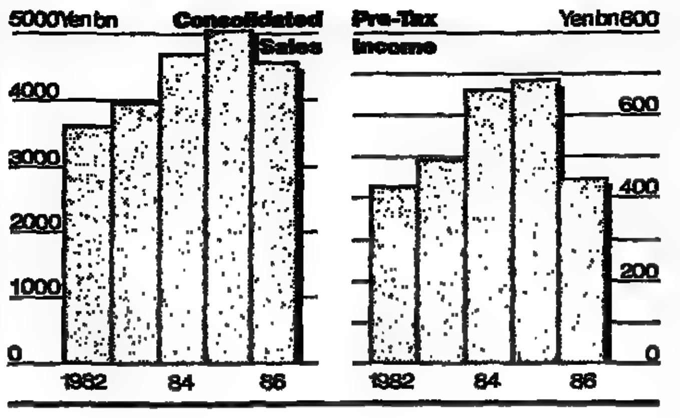
One area that Matsushita is anxious to move in front is the embattled semiconductor sector. About 70 per cent of the company's R & D budget is now devoted to the four core areas listed earlier. (The rest is divided among home appliances, batteries and other areas.) Within that 70 per cent, semiconductor technology gets a commanding one-third of the total budget. Chips, according to Hayakawa, hold the key to *product innovation and those first with new chips will be first* with new products. Indeed, computers have already become *a major source of revenue for* Matsushita and will continue to grow.

Hayakawa points out that Matsushita is currently ranked fifth in the Japanese semiconductor industry, which has surpassed the US as the largest in the world. "Our target is, within a few years, to be number three," he says. His comments, like the president's (see panel), give little ground to the anger in the US and *Europe about Japan's alleged* dumping of semiconductors and electronic products in overseas *markets. Semiconductors,* the electronic heartbeat in gadgets from home bakeries to com*puters, are the key to the* company's orientation toward applied, development research.

Indeed, the international storm over Japan's trade imbalance with the West rages far from the streets of Moriguchi. Despite the increased levels of hectoring by the government for companies to import more from abroad, Matsushita's ratio of imports is still tiny. It is clear that the executives of Matsushita feel their first patriotic *duty is to* the employees of their company, and only second to their *government.*



Akio Tanii, President



The skewer system

AKIO TANII, 59, a career Matsushita man appointed president last year, says that the secret of Japan's industrial strength through difficult times is its single-minded devotion to its core businesses. The high yen is accelerating change, but not Japan's fundamental approach to business.

Despite Matsushita's increasing dispersal of production sites to cheaper overseas locations, Tanii does not expect that Matsushita will become multinational in the American sense. Research and development, the key to the company's long-term survival, and what he calls strategic decision-making, will remain centred in Japan. Overseas operations, just like domestic divisions, will follow Osaka's tune.

A short, stocky, self-confident man, Tanii *is proud* of his company's achievements, but shows no sense of complacency.

Using what he calls his skewer system, he ensures that the advances in one department can and are applied in another. "By running a skewer through all the manufacturing divisions, for example, I can increase strategic decision-making at headquarters. This way I can *keep the divisions independ*ent, but provide more unity to the company," he says.

"Another secret is our concentration of effort (in applied research). As a result, we can come up with a creative product which can make a new market. In European industry, their eyesight is rather short and limited. *They only try to keep their* existing market and never try to extend it," he says.

Take the microwave oven, he says. Home-use for the microwave oven was invented here [in Japan] and the market was created here. We started from scratch making sales channels and persuading the consumer to buy it. *And now European countries* are complaining, he says, referring to the proposal for *anti-dumping duties on* Japanese microwave ovens by the European Commission.

Before they take those measures, I want the EC to appreciate our effort to create products and markets from scratch. The VCR was an*other one . . . he says, and* then looking at his translator, he asks: "Did I speak too much?"

Why diversifying is bad news

BY CHRISTOPHER LORENZ

FOR OVER 30 years, CBS and General Mills were two of America's most predatory corporate giants. Between 1950 and 1980 they made 54 and 86 acquisitions respectively. But by last year they had divested themselves of the vast majority, by no means always profitably; CBS (in broadcasting and entertainment) sold almost 90 per cent of its new portfolio, and General Mills (packaged goods and retail*ing) three-quarters.*

The two companies epitomise a post-war diversifica*tion record among large US* corporations that is "dismal," complains Michael Porter, professor *of business admini*stration at the Harvard Business School.

"The corporate strategies of most companies have dissipated instead of created shareholder value," Porter reports in the latest edition of the Harvard Business Review*. "The need to rethink corporate strategy could hardly be more urgent."

The general conclusions of Porter's massive, *pathfinding* study of the diversification records of 33 large US companies between 1950-86 were first revealed on this page six months ago (December 9), when the research was still unpublished. Now, in a long article which contains all the gory details of each company's performance, he points the finger at the worst offenders, and draws lessons from the few successful diversifiers.

The top 13 divestors over the period were CBS (87 per *cent of its acquisitions*), RCA and Cummins Engine (both 80 per cent), *Gulf & Western (79 per cent), General Mills* (75 per cent), Continental Group and Xerox (71 per cent), Westinghouse (68 per cent), Wickes (67 per cent), General Electric, W. R. Grace, ALCO Standard and Signal (all 65 per cent).

At the opposite end of the spectrum, the most successful acquirers were Johnson and Johnson, Procter and Gamble and Raytheon (only 17 per cent divested), fol*lowed by United Techno*nologies (25 per cent), 3M (26 per cent), and TRW (27 per cent).

One of the main differences between the *good* and bad diversifiers was that a disproportionately high number of *successful* takeovers was of businesses where the acquirer could transfer skills or share *important activities* (such as supply or distribution).

Successful acquirers diversify into related fields, Porter reports. "Procter and Gamble and IBM, for example, operate in 18 and 19 inter-related fields respectively." Even successful diversifiers such as 3M, IBM and TRW "have terrible records when they have strayed into unrelated acquisitions."

Among Porter's extensive advice on how to avoid diversification pitfalls is the *unconventional statement* that starting a new business from scratch tends to be more *successful* than either acquisitions or joint ventures. Start-ups and joint ventures were both included in the 36-year study, and Porter concludes that "when a company has the internal strength to start up a unit, it can be safer and less costly to launch a company than to rely solely on an acquisition and then have to deal with the problem of integration. Japanese diversification histories support the soundness of start-up as an alternative to entry."

Acknowledging that there are exceptions to the generally poor record of post-war acquisitions, Porter credits Britain's Hanson Trust as being an unusually canny performer of a form of takeover strategy known as "restructuring"— the revitalisation of undeveloped, sick or threatened organisations and their subsequent sale at a profit.

But Porter concludes that "it's too early to tell whether Hanson will adhere to the last tenet of restructuring— selling turned-around units once the results are clear. If it succumbs to the allure of bigness (in any particular industry), Hanson may take the course of the failed US conglomerates."

* *From competitive advantage to corporate strategy. HBR May-June 87. Reprint No 87307. From HBR tel 617-495-6192, telex 7103210073 (both US.*

THE ARTS

Bychkov/Festival Hall

Richard Fairman

Of all the rising stars in the musical firmament, none is rising faster at the moment than the Leningrad-born conductor Semyon Bychkov. To date his career has been built largely on successes in the USA and Germany, most notably with the Berlin Philharmonic, but a growing friendship with the Philharmonia is currently yielding a few concerts in London, the most recent of which on Friday night was sponsored by the Financial Times.

To music Bychkov comes Russian-born and Russian-bred. There is a daemonic strain in the national response to musical expression which is unmistakable. In the past conductors such as Mravinsky and, to a lesser extent, Svetlanov have unleashed its full, passionate fury on the music of Chaikovsky and Rakhmaniov; and though Bychkov does not perhaps allow himself to be driven to their excesses of speed and dynamics, the same daemon spirit is clearly at work.

His performance of Rakmaninov's *Symphonic Dances* was exciting and impassioned in the best Russian tradition. The Philharmonia strings are not usually asked to attack their music with this level of intensity — it is not their natural way of playing and they did not sound entirely happy with it—but for the most part Bychkov successfully imposed his own high-tension, highly emotive style. When the electricity is turned right up, this is a real showpiece.

In Schumann's Piano Concerto he equally proved a helpful and unfussy partner, allowing Alicia de Larrocha to shape her own performance without interference. The pianist has long had the measure of this Concerto easily within her grasp. The two sides of the composer's personality—his "Florestan" and "Eusebius" —were held in a fine balance, and if just occasionally she gave the dramatic Florestan his head and allowed the piano tone to become clangorous, it was not enough to disturb enjoyment of the whole.

Earlier Bychkov's Strauss had been less appealing. The so-called Suite from *Der Rosenkavalier*, a selection of favourite bits from the score thrown together by some unknown hand with no feeling for overall shape or key relationships, has always seemed to me an unattractive potpourri at the best of times, but it needs a lighter and easier touch to bring it off than it had here.

By coincidence Saturday's concert, part of the Festival of German Arts, followed up with another operatic selection. This time it was Wagner's *Parsifal*, served as seven symphonic fragments, which work rather better as a concert item. Horst Stein directed the Berlin Radio Symphony Orchestra in the same sturdy, no-nonsense fashion with which he leads his perfromances at Bayreuth. And in the Immolation scene from *Götterdämmerung* Gabriele Schnaut improved somewhat on her recent Bayreuth outings—less thick tone and wobble, more straightforward attack. A hall full of Wagnerians noisily demanded, and got, an encore.

Sister Aimee/Britten Theatre

Max Loppert

The Royal College of Music contribution to the London International Opera Festival consists of two performances of *Sister Aimée*, the short chamber opera (1984) by Odaline de la Martinez. The conductor of Lontano is, of course, a familiar figure on London concert platforms, but before Thursday's performance her work as a composer had been less fully exposed.

This "American Legend," based by librettist John Whiting on the life of Aimée Semple McPherson, is a slim collection of five scenes in which the rise and fall (and scandal) of the evangelist is charted. The idiom of the verbal language is the hypnotically passionate, repetitive cadence (rhymed for greater impact where need be) of the American fundamentalist preachers—the libretto is an atmospheric, concise piece of writing. And the language of the music is very much in style with the words: hymn-like choral refrains, punchily syncopated, with ariosos for solo voice spliced into them above the scrunchy harmonies of a church organ; a falling orchestral bass line adds dramatic irony, and the careful intermittent incursion of a brass chorale points the shape of the set-pieces. The modulation from sung to spoken text is gauged to give sermon-style impact to the scenes.

The whole subject of popular American evangelists and their equivocal moral standards being, of course, very much in the news just now, one longed extra hard for *Sister Aimée* to be a vividly biting, hard-hitting piece of music-theatre. The seed of such a piece is there —as I have suggested, care has successfully been taken over the delineation of atmosphere — but it has not been germinated. In any real lyric-theatre sense, there is almost no music in the piece to articulate the drama; nice ideas and frail sketches are all we really seem to see and hear.

The performance in the wonderful new Britten Theatre was confident and spirited — intelligent production by John Abulafia, authoritative musical direction by Anne Manson, an attractively rounded title role portrayal by Jennifer Barnes, several useful supporting cameos (though the role of the cynical reporter is one long cliché, Philip Sheffield made much of it). The whole work lasted just over an hour, and when it was over one felt that hardly anything at all had *happened*.

'Pomp. Virtue and Decorum' at the Tate

An exhibition dedicated to the emergence of a British School of painting during the first half of the 18th century will run at the Tate Gallery from October 14 to January 3, 1988.

The period coincides with the life of Hogarth, who will be represented by over 30 works

There will also be some early works by Gainsborough and Reynolds, and other contemporaries of Hogarth s such as Gawen Hamilton, Hayman and Ramsey.

LFB sponsorship

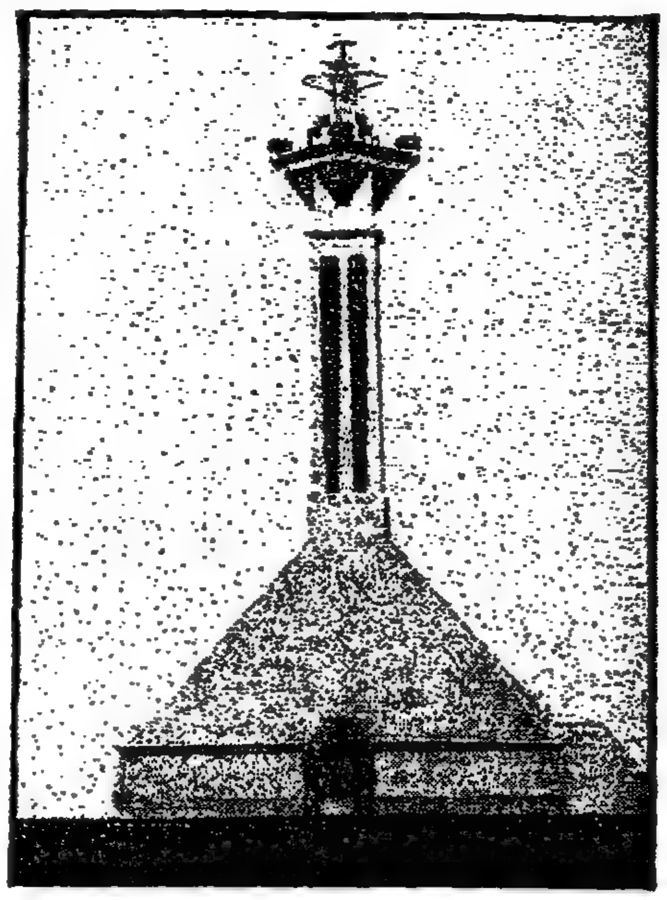
London Festival Ballet has raised sponsorship of £345,000 to enable it to hold its Summer Season at the Coliseum from July 7-18 and the Royal Festival Hall, July 28-August 15.

Royal Gala sponsors on July 7 and July 13 are Omega Watch Company and The Royal Academy of Dancing respectively. New production sponsors include the Alan and Laraine Fischer Foundation, Bankers Trust Company, Royal Mail Parcels and Terry Murphy (Scenery) Limited.

Architecture/Colin Amery

Missed opportunity at the RA

It has to be said, with a degree of sadness, that the annual Royal Academy Summer Exhibition does not fulfil its potential for architecture. There are some 16 architect academicians or associate academicians. Some of them are the senior members of that beleaguered profession and in a position to give a direction to the formation of public taste and awareness. After the successful display of the work of Stirling, Rogers and Foster that stimulated the public appetite for architectural enlightenment it would have bee nmarvellous if the dreary pattern of hanging and selection for the architecture room had been broken. A perfect opportunity has been missed. Of the 140 or so exhibits fewer than about 30 merit much more than a second glance. This seems to me to be a great shame and can only reflect poorly on both the profession and the selectors.



Vision or lunacy A project for a memorial to the Battle of Britain to dominate London's docklands

In the centre of the Gallery VI is Norman Foster's 8 ft scale model of the space frame support for Stansted Airport. As one visitor remarked it looks exactly like a revolving washing line. However, it should be looked at in association with the drawing of the restoration of Tobacco Dock where the selfsame 19th-century structural system can be seen in timber. I doubt whether many visitors to the RA will be prepared to work out exactly how the Stansted Airport will look or work.

It seems clear that once the judges have selected what is to be shown they should ask the architects to mount a display that accurately and clearly explains what the new building or project is, how it is to work, and tell the visitor something about the whole scheme. It is worse than useless, as far as the public is concerned, to look at a framed sketch or a cryptically abstract model, which is shown with little or nothing beyond the title. Even if every drawing shown was a work of art there would still be a need for some detail and explanation.

The supermarket and the garden are two recurring elements in this year's show. It is not clear whether one is an escape from the other but there is certainly a curious concordance. Carlyn Lourens has produced a cork and copper collage that is entitled *Experimental Supermarket Facade* while Dominic Wilson is concerned about the presence of a supermarket next to a church in Wolverhampton — his work, based on plans and elevations is called *Defending the Edge: Sainsburys Wolverhampton.* Both these works attempt to explore the movement of our nourishment from nature to the product. They see the spread of the supermarket as a distancing from nature. The garden designs by Marina Adams and Omrania suggest that there is a yearning for a more orderly kind of garden design and something of a return to formal geometry.

If the architects in the RA were the only ones left in the world and I had to select the most promising I would plump for Nigel Cox. There are two schemes by him; a proposed library for Gonville and Caius College and an extension for the museum of Toole Lake and Helsinki — both these schemes hold the promise of clarity, order and calm imagination.

More extreme, but not without interest, is the design for the Battle of Britain Memorial floated as an imaginary proposal for London's Dockland by Theo Crosby and the sculptor Michael Sandle. While it does not hold a candle to Boulee or Ledoux it could have a certain giant grandeur and as a colossal viewing tower would undoubtedly appeal to tourists and residents.

In terms of skilled draughtsmanship Eric Parry still reigns supreme — any drawing by him would be a rewarding investment. *The Summer Exhibition runs until August 23.*

★

A far more rewarding time can be spent in London at the *Architectural* Association, rather than at the R.A. A centenary exhibition of that fascinating and discriminating architect H.S. Goodhart-Rendel is on the first floor, accompanied by Alan Power's informative and elegant catalogue. On the ground floor there is a telling display of the work of a young architect Eva Jiricna. I suspect that Harry Goodhart-Rendel, who died in 1959, would have been sympathetic to the work of the enchanting Miss Jiricna. Her story is a brave one. She escaped from her native Czechoslovakia by risking her life and limb at the most dangerous time politically. She has made her way in England entirely from scratch—and her work has a strength and clarity that raises it above the merely fashionable high-tech. You can see her interiors at Harrods, in a variety of shops and her furniture deserves to be better known.

Goodhart-Rendel is now better known for his writings than for his buildings. His *English Architecture since the Regency* (published as early as 1953) really began the reappraisal of Victorian architects. This exhibition of his drawings corrects the impression that he was more a critic than an architect. It shows that buildings like Hays Wharf on the Thames, the design for Prinknash Abbey and the completed church of the Holy Trinity in Bermondsey show he was an original designer.

He is in the same league as Lethaby—avoiding pseudo-antiquarianism and attempting to be beyond both modernism and traditionalism. Although he always said that his interests were the Roman Catholic Church (he was a convert), the Brigade of Guards (he wrote *A Squad Drill Primer*), and music-making architecture was the major preoccupation of his life. He lived at Hatchlands in Surrey and in a villa in Valescure in the South of France. He was a gentleman architect —but not an amateur. His position gave him a healthy detachment that we can see today produced some original and puzzling buildings.

★

This is the first year of the National Art Collections Fund Awards (sponsored by Slough Estates plc) and apart from honouring the generosity of John Paul Getty Jr the judges gave one of the five other prizes to Charles Brooking, until now the virtually unsung hero of the conservation movement. Not for Mr Brooking the polemics of preservationist politics—since he was six he has rescued elements and fragments from buildings of all periods as they have been demolished. The result is a collection that is as manic as it is comprehensive. He has, for example, virtually every known form of glazing bar, fireplace, door, window, cornice, fanlight—as well as a complementary library of trade literature, pattern books and catalogues.

It is a unique collection, the result of one man's dedication, and it is looking for a home and for funds to make it available to all those engaged in the accurate restoration of old buildings. That English Heritage and the National Trust have yet to offer a home and funds is a great shame. The recognition of the NACF shows how an imaginative award can bring a loner into the limelight.

Lord Gowrie to head Serpentine Gallery trustees

Following the decision last year that the Arts Council would cease to run the Serpentine Gallery, Lord Gowrie, chairman of Sotheby's in London and former Minister for the Arts, has been invited to be chairman of the Gallery's trustees.

When constituted, the Serpentine Trustees will assume responsibility for the building and its exhibitions, with the Arts Council continuing to fund it by grant plus the possibility of financial support from the Westminster City Council.

A Small Family Business/Olivier

Michael Coveney

In Alan Ayckbourn's brilliant new play for the National Theatre in the Olivier auditorium, a nation of shopkeepers is becoming a nation of shoplifters; the family furniture firm, Ayres and Graces, is falling into the hands of an Italian mafia and the drug dealing business; and everyone is on the fiddle, or "salting it away," to quote a phrase that recurs like a smug refrain, a limp apology, throughout the evening.

Two parties top and tail the action: the first to celebrate Jack's (Michael Gambon) arrival in the business from frozen food, the second to salute his father-in-law's 75th birthday. Old Ken Ayres (Ron Pember) does not remember who anyone is any more, but wants Jack to flush out the corruption. His family produce has been appearing on foreign markets under different labels. The handover coincides with family trouble. Jack's daughter, Samantha, has been spotted shoplifting £1.87 worth of —surrounded by all due panogoods. A private inspector calls ply of thunderclaps and hostile *slamming doors.*

Jack is an honest lad (hitherto) with a devoted wife Poppy (Polly Adams) and two daughters — the indolently rebellious Samanthat (Suzan Sylvester) and the suburban carbon copy of Poppy, Tina, whom Diane Bull presents with a London overspill whine of chilling exactitude and a hip-swivelling crockery-drying technique that suggest years of domesticated in-breeding.

Ayckbourn elaborates the tragi-comic consequences of moral and domestic laissez faire in the awakening Gambon's double-glazbed and lumber Jack to the realities of life. His family is horrified at his ejection of the private investigator on a matter of principle. Before long, though, the stench rises from a can of worms and Jack cuts and trims his principles in a farcical imbroglio with his sister-in-law's Italian connection of sexually insatiable businessmen and the importunate, corruptible inspector Hough (Simon Cadell).

This is the third product of the NT company under Ayckbourn's direction and it neatly summarises the farcical flair of the first *(Tons of Money)* and the social and feudal bloodbath of the second *(A View From the Bridge)*. We have murder and mayhem, cover-ups and sexual deviation, even the Aldwych farce trick of a horde of funny foreigners — macho medallion men — played by the one actor, Michael Simkins.

The play's opening, the funniest I've seen in years, hooks us sympathetically into the fortunes of Jack as he spoils the blacked-out party reception by interpreting his wife's special attire as an invitation to early evening slap and tickle. The great groping Gambon adopts his familiar (to Poppy) persona of a rapacious Viking — "Hairy Eric with his big meaty axe" — and drops his trousers as the party lights come up.

Jack's forward propulsion and open demeanour are checked and clouded by every sort of revelation, from his wife's admission to lifting the odd paperclip from work to brother-in-law Des's surreptitiously funded plans for running a holiday complex in the Balearics. Des (John Arthur) is a compulsive foodie, cooking ambitious meals by Parlophone instruction while his anorexic, furtive wife (Marcia Warren) pours scorn on all public mastication in restaurants and directs what remains of her capacity for emotional demonstrativeness at a dismal, balding little dog.

Ayckbourn has previously used split level, multiple settings to switch a narrative coin or re-cap on simultaneous activity. Here, Alan Tagg's wonderful beige tribute to suburban interior design—the stage resembles a featureless DIY doll's house—is a liberating visual excuse for continuous mobility of story and effect, Gambon charging between four houses like a raging bull, conducting impassioned interviews in bathrooms, bedrooms and hideous pink-lit lounges where the "Pastoral" Symphony is blared out on compact disc.

Character symbol of the suburban good life is Russell Dixon's piggy Cliff, Jack's brother, who relishes his Porsche and single malt, his little boat and his darts at the expense of all meaningful contact with the living. His wife Anita (Elizabeth Bell) has replaced him in the bedroom with her louche wardrobe, whips, manacles and endless lovers. Cliff, with his cutaway driving gloves and emblazoned cardigans, is one of Ayckbourn's most savagely enjoyable creations, and probably an embarrassing challenge to a goodly proportion of the National's local audience.

Ayckbourn has established himself with his three latest NT productions, as one of our most distinguished directors. The performance he has elicited from Simon Cadell, as the hunched and sordid. Hough, is not only extraordinary in itself, but a real advance for this talented but manneristic actor. You can smell Cadell's Hough at 50 metres. He, above all, is the figure of our times, an odious middleman who claws his way into favour with a mildewed sense of general propriety to which he unctuously relates his pornographic little endeavours. Cadell scrapes around in a moustache and oversized suit—trouser bottoms ignominiously obscuring his shoes—like a bestial pervert of a peculiarly English variety.

The particular strength of Ayckbourn's idiosyncratic vision is its depiction of a world he despises but which, none the less, is the only world he is prepared to inhabit. The obsession is reflected in the precise use of a language which never gets above itself. Even the odd comic flight into imagery is part of this vision, controlled and domesticated. A

Michael Gambon and Polly Adams

Triple bill/Donmar Warehouse

David Murray

Though there is a certain fortuitousness about the "London International Opera Festival" —it is an umbrella that stretches to include various things that would have happened anyway—it's a good idea (and enjoys generous support from Hillsdown Holdings): not merely for promoting affordable performances in this desperately expensive art-form, but for encouraging contemporary work that doesn't presuppose grand stages or Wagner-size orchestras. Last week's contribution to the Festival by Endymion Music Theatre was an intelligently chosen trio of one-acters from Monteverdi to a new Michael Nyman product.

Not so new as Nyman, but considerably fresher, was Harrison Birtwistle's *Down by the Greenwood Side*. In fact its text is by Nyman, loyally devised to answer Birtwistle's peculiar taste for treating folk-myths as aesthetic objects: here an old Mummers' play about St George and the Bold Slasher is yoked to the infanticidal "Cruel Mother" of a ballad. The grip of the piece depends upon Birtwistle's gritty, laconic score (well conducted by John Whitfield and sharply delivered by the Endymion Ensemble), but it needs a vividly plain realisation too. David Penn's three-year-old production (reproduced by David Meyer) served admirably, with clever actors in David Blight's jokily opulent costumes, and committed singing by Sarah Leonard and John Rath.

About Jonathan Howell's staging of the Monteverdi *Combattimento di Tancredi e Clorinda* I was less happy. With narration and fragmentary dialogue delivered by masked singers on high, and the fatal action — Clorinda, in Saracen disguise, seeks her Crusading Christian lover and is slain by him unrecognised in single combat — danced in rather too much white plastic chiffon, the effect was conventionally pretty, and pretty cool. Since Monteverdi's extraordinarily concise and intimate music is admired above all for its direct feeling, that seemed perverse, expertly done though it was.

Meyer and Paul Richards contrived to make Nyman's new *Vital Statistics* look reasonably lively. With text by Victoria Hardie, the opera purports to be "about measurements in relation to intelligence, art, voices, success and the unmeasurable," but despite the gesture toward the literary bi-weeklies it is only indifferent cabaret about competitive tenors. The score, basically school-of-Philip-Glass, is bouncier and more varied than some of its predecessors. Its mechanised late-Romantic cadences sounded less like parody than nostalgia. Strident orchestration defeated all the words of the two hard-working sopranos. That seemed unnecessary, but then so did everything else about the piece.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

June 8–June 11

LONDON

Nathan Milstein, violin. Bach, Beethoven and Milstein arrangements. Royal Festival Hall (Mon). (928 3191).

Royal Philharmonic Orchestra conducted by Pinchas Zukerman, violin with Shlomo Mintz violin and viola. Bach, Mozart and Berlioz. Royal Festival Hall (Tue)

Berlin Philharmonic Orchestra conducted by Herbert von Karajan. Brahms. Royal Festival Hall (Wed).

London Mozart Players conducted by Jane Glover. Mozart, Dittersdorf and Haydn. Queen Elizabeth Hall (Wed). (928 3191).

Philharmonia Orchestra conducted by Sir Colin Davis with Radu Lupu, piano. Brahms and Vaughan Williams. Royal Festival Hall (Thur).

London Symphony Orchestra conducted by Paul McRae with Joanna McGregor, piano. Berlioz, Grieg, Dvořák. Barbican Hall (638 8891).

PARIS

Jean Sutherland, soprano, Richard Bonynge, piano (Mon). Paris Opéra (4742 5727).

Ensemble Orchestral de Paris conducted by Armin Jordan, Jean-Pierre Wallez, violin, Philip Bride, violin solo: Ravel, Saint-Saens, Roussel (Tue). Salle Pleyel.

Pierre Hommage, violin, Giuliana Gulli, piano: Magnard, Brahms, Beethoven (Tue). Salle Gaveau.

Rossini, Berlioz, Beethoven played by the French Oratorio Choir and Orchestra (Wed). Saint-Roch Church.

Hommage to Ravel – Chamber music: Quatuor Alban Berg, Radio France Choir, Bruno Rigutto, Gabriel Tacchino, piano, Theodor Paraskivesko, piano (Mon 8.30pm). L'Heure Espagnole, one-act opera in concert version performed by the Lyons National Orchestra conducted by Serge Baudo (Tue, Wed 8.30pm). Ravel Melodies (Thur 8.30pm), TMP-Châtelet (4233 4444).

Orchestre de Paris in co-production with the Ensemble Intercontemporain conducted by Myung Whun Chung, Pierre Amoyal, violin: Arnold Schoenberg, Alban Berg, Igor Stravinsky (Thur). Salle Pleyel.

Paris Opera Soloists' Concert: Mozart, Händel, Haydn (Thur). Opéra Comique.

NETHERLANDS

The Hague, Congresgebouw. The Hague Philharmonic conducted by Michel Plasson, with Christian Zacharias, piano: Von Weber, Beethoven, Chausson (Thur). (54 80 00).

The Netherlands Philharmonic with choir and vocalists in a Beethoven concert conducted by Anton Kersjes. Wed in Amsterdam, Concertgebouw (71 83 45). Thur in Utrecht, Vredenburg (31 45 44).

A Steve Reich concert (Desert Music and Tehillim) with Reinbert de Leeuw conducting the Schönberg Ensemble, The Hague Percussion Group, the BBC Singers and vocalists. Mon in Amsterdam, Carré (225 225), Tue in The Hague, Royal Conservatory (81 42 51).

NEW YORK

Juilliard Concerts (IBM Gallery): Ocean Wind Trio. Haydn, Mozart, Strauss (Wed, 12.30). 56th & Madison.

WASHINGTON

National Symphony (Concert Hall): Last concert of the season Mstislav Rostropovich conducting and Choral Arts Society of Washington directed by Norman Scribner. All-Britten programme (Tue). Kennedy Center (254 3776).

Gershwin Celebration (Opera House): Two musical collaborations by the Gershwin brothers, Ira and George, Of Thee I Sing and Let'em Eat Cake, are performed as concerts featuring Maureen McGovern and Jack Gilford. Ends June 13. Kennedy Center.

CHICAGO

Chicago Symphony (Orchestra Hall): Last concert of the season Klaus Tennstedt conducting. Mahler (Thur). (435 8111).

TOKYO

Reiko Sato, piano. Bach, Beethoven, Schumann. Tokyo Bunka Kaikan, Recital Hall (Tue). (232 1010).

Takeshi Kitamura, tenor: piano, Nana Hamaguchi. Ravel. Lutheran Ichigaya Centre (Tue). (573 3588).

NHK Symphony Orchestra conducted by Yoko Matsuo, with Teiko Maebashi, violin and Hiroko Nakamura, piano. Stravinsky, Beethoven, Brüch. Suntory Hall (Wed). (580 8080).

Vienna Clarinet Ensemble. All-Mozart programme. Tokyo Bunka Kaikan Recital Hall (Wed). (449 8477, 8451).

Japan Philharmonic Symphony Orchestra, conducted by Akeo Watanabe, with Kei Itoh, piano and Naomi Matsui, organ. Mozart, Saint-Saëns, Respighi. Suntory Hall (Thur). (234 5911).

Saleroom/Antony Thorncroft

Small is beautiful

Asked to name one painter of miniatures many would manage to drag up "Nicholas Hilliard." A rare signed portrait by this Elizabethhan master is on offer at Sotheby's today. It portrays a "Nobleman, Aged 33," and is remarkable for its fine condition and the fact that it daes to 1572, at the start of Hilliard's career when he was influenced by the French tradition.

A price of around £40,000 has been estimated for this tiny work of art, just 3.8 cm in diameter. Not all "miniatures" are quite so small. In the same sale Sotheby's is offering a portrait of a lady by Robert Thorburn, painted around 1840 and measuring 15.5 cm high. It is a pretty piece and should make at least £2,500.

Modern British pictures have been fetching extraordinary prices at auction in recent months and Christies' is competing with the General Eelection on Thursday by mounting a good sale. Among the portraits is one of Lady Evelyn Herbert by Sir John Lavery. Lady Evelyn was the daughter of Lord Carnavon who financed the excavation of the tomb of Tutankhamun. She was one of the first to enter the treasure trove. Two other artists commanding recent record prices are on offer — Sir Alfred Munnings and Dorothea Sharp.

This is "Chinese" week in London. Both Sotheby's and Christies' are mounting good sales to attract the collectors here for the International Ceramics Fair and Seminar at the Dorchester. At Sotheby's a 15th century Ming blue and white decorated "friut bowl", which was brought into the auction house by an owner quite unaware of its value, could make him £45,000 richer, More expensive still will be two large Tang pottery horses which decorated the Paris mansion of the late Mona, Countess Bismarck. They should fetch around £250,000 each.

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Monday June 8 1987

The lessons of Marshall

THE fortieth anniversary of the Marshall Plan last week served as a rather nostalgic reminder of the benefits of international economic co-operation. It came on the eve of an economic summit in Venice which evokes universally low expectations. Yet the world confronts a dismal and challenging economic prospect, in the shape of sluggish growth, huge trade imbalances, growing pressure for protection and an overhang of debt. These are precisely the things the summit process is designed to address. So why is it that the aspirations of General George Marshall and of subsequent proponents of international economic co-operation find so little echo in policy today?

The short answer is that the world was a less complex place 40 years ago. The United States presided over the strongest economy in the world; sterling's eclipse in favour of the dollar in the international monetary system accurately reflected political reality. With trade accounting for a relatively small proportion of gross national product, the US could afford to promote a liberal international economic order without alienating powerful lobbies at home. Above all, there was a measure of consensus on the ends and means of economic management. Politicians and bureaucrats were held in thrall by Keynes.

None of this holds true today. While the US remains a superpower, West Germany and Japan have the economic muscle to demand a wider say in the global debate. There has been a shift to a multi-currency system; and economic interdependence exerts greater influence on the US, even if its policy makers have not always acknowledged the fact.

Fiscal expansion

Meanwhile, the theoretical framework in which policy evolves is no better than a muddle. The US, under the guise of supply side economics, has been conducting an experiment in global Keynesianism without consulting its partners around the globe. By spending more than they earn, the Americans have pulled the world out of a severe recession at the cost of running up unmanageable budget and trade deficits.

The Japanese are reluctant converts to fiscal expansion, while retaining a thoroughly mercantilist attitude to trade. And the West Germans risk some harsh treatment in Venice because of their obsessive desire to wear a fiscal and monetary hair shirt, as they fight the anti-inflationary battles of the 1930s.

Summits can only work when heads of government share common perceptions about the nature of the problems and the means of resolving them. No doubt Venice will produce some reassuring statements on the political situation because the summit countries are closer to each other on arms control than they are on economic policy. But whatever the communique declares in the way of commitments to co-operative economic management, objective indicators and the rest, the fact remains that the political obstacles which lie behind the present stalemate are formidable.

Trade deficit

It is not simply that President Reagan is reluctant to address his budget deficit by raising taxes, or that Mr Kohl is a died-in-the-wool financial conservative. There are profound problems of political structure, most notably in Japan, where landed and agricultural interests are so entrenched in the ruling Liberal Democratic Party as to preclude those reforms that most Japanese officials now concede are necessary.

If there is any lesson to be learned from the Marshall Plan in present circumstances, it is surely that too much of the burden of adjustment in the global system should not be allowed to fall on countries that are in trade deficit and overburdened with debt. And it should also be remembered that the US readiness to maintain open markets was quite as important as the capital outflow promoted by General Marshall.

Admittedly there is now more than a glimmering of acceptance on the part of the Japanese that they owe wider responsibilities to the indebted Third World, which has largely been neutered as a source of demand in the world economy. But in the absence of a far greater commitment on the part of surplus countries to expand their imports and shift the emphasis of demand away from exports, it will be left to the financial markets to impose increasingly heavy shocks on the system in order to break the policy gridlock.

Civil Service discontents

THE two Civil Service unions that have called a national strike for today and tomorrow seem, at first sight, to have played straight into Mrs Thatcher's hands for the last three days of her re-election campaign.

It is not just that there will be some disruption of public services. There is also a seam of political extremism to be exposed by Conservative and Alliance propagandists.

Before the results of the strike ballot were declared last week, Trotskyists and Militant Tendency supporters swept back to power on the national executive committee of the clerical staff union, the Civil and Public Services Association. Another Militant supporter, Mr John Macreadie, had just been elected deputy general secretary.

It looks like a gift to Labour's opponents. Leave aside the fact that the CPSA is not affiliated to the Labour Party (at least not yet). Here is the march of the militants to prove that the hard Left flourishes in spite of all Mr Kinnock's promises to contain it. Mrs Thatcher has already implied that a Labour Government after Thursday would settle the dispute by caving in to the Left's pay demands over beer and sandwiches at Number Ten.

The truth of the matter is not so simple. The campaign of disruption over a 4.25 per cent pay offer rejected by the two largest civil service unions is not a Far Left plot. It is evidence that the outgoing administration has been no more successful in managing its own personnel relations than its predecessors

The Left takeover at the CPSA may reflect a revival of militancy in the lower echelons of the service, but is not of itself very instructive. This union of young, low-paid and transient employees has for many years been a political kindergarten — noisy, volatile and unworldly — where some leading Left-wingers are actually more moderate than the Right. Last week's internal row about the general secretary's powers of appointment was fairly typical of life at the top of the CPSA.

Recent industrial action, today's strike and the regional disruption promised for the rest of the month are ostensibly a protest over pay. The CPSA and the middle-management Society of Civil and Public Servants have refused to follow senior unionised staff and Civil Service specialists such as scientists in accepting a salary system based more on merit and market circumstances.

That is a serious setback for a sensible initiative: there is no natural law that says national bureaucracies must apply uniform scales of pay if variable rewards can create a more efficient public service.

Perennial problem

But pay reform, especially in the traditionalist and highly-unionised public sector, can only be secured by adept management and goodwill. It seems both have been lacking in the past eight years. The perennial problem of poor working conditions has not been overcome, and the manner in which 50,000 jobs were removed — by departmental quotas rather than by careful examination of functions —has further depressed morale.

Labour's programme for the Civil Service promises to restore the 50,000 jobs over two or three years, to add another 10,000 training places, and to send the present pay dispute to arbitration. Party spokesmen claim that most of his job creation would pay for itself, in more efficient collection of taxes and disbursement of benefits. But even if their sums were correct, this would be a very partial answer to present grievances.

Today, just as in the past, the Civil Sservice problem is one of management not merely one of money. No doubt all the political parties will seek to make capital out of the current discontents in the remaining days of the election campaign. But, like so many other issues which are hotly debated between the parties, this one does not lend itself to simple slogans. How to manage the Civil Service efficiently, how to implement a sensible pay and promotion structure which provides the right incentives and improved morale—these are difficult problems on which the Thatcher government has made some limited progress, but there is still a long way to go.

Stewart Fleming, Philip Stephens and John Wyles at the opening of the Venice summit

Many leaders, but a lack of leadership

POLITICAL HYPE and extravagant media attention have traditionally focused unreasonable expectations on world economic summits. Perhaps, however, the disappointments of past years are now beginning to weigh more heavily.

Certainly, this year's two-and-a-half day gathering in Venice, which opens this evening with discussions over dinner in the sixteenth century Ca' Grande, seems to carry fewer hopes than most of its predecessors.

Partly this is because the political authority of all seven leading participants has been muted for one reason or another. Partly it is because governments of the Western world's seven leading industrialised countries have barely begun to develop a collective strategy for dealing with growing economic and political problems.

President Ronald Reagan, by his office the natural leader of the West, arrives in Venice the most seriously handicapped. His domestic credibility is gravely diminished by the Iran-Contra scandal and national attention is increasingly focusing on finding a new president and electing a new Congress in 1988.

Neither Japan's Prime Minister, Mr Yasuhiro Nakasone, nor Mr Amintore Fanfani, Italy's caretaker Prime Minister, who is hosting the gathering, are expected to see out the year in their present positions. But both are deeply concerned about Mr Reagan's ability to contain protectionist fires in the US Congress and provide confident Western leadership in his dealings with Mr Mikhail Gorbachev. As storm clouds gather increasingly over the gulf, the President's abilities have come further into question.

This crucial sense of fading leadership — Chancellor Kohl has lost regional West German elections, Mrs Thatcher is sacrificing less than a day of her re-election bid to be at the summit and Mr Brain Mulroney of Canada is sinking in the opinion polls — does not encourage optimism over the summit's prospects.

The challenge is clear: the seven leaders must take at least a small step towards more collaborative economic and political relationships which would compensate for the relative weakness of the US economy.

In the arena of economic policy, evidence of forward momentum towards more co-operative leadership is urgently needed.

Enormous current account imbalances among the industrial countries are posing the most serious threat to world economic growth since the acceleration in US inflation and the second oil shock at the end of the last decade. The Organisation for Economic Co-operation and Development expects world growth of little more than 2 per cent this year and sees scarcely better prospects next year.

The foreign exchange markets are watching the outcome of the summit with anxiety. They fear that unless there is a major shift in policy—involving the US making substantial cuts in the budget deficit and Japan and West Germany significantly boosting growth rates — the dollar may fall much further.

The credibility problem is all the more acute because each participant recognises that Venice cannot yield substantive new initiatives beyond what was agreed in the Louvre accord in Paris last February, the first joint commitment by the major industrialised countries to currency stability. It was backed up by promises of co-ordinated economic policy

Current account imbalances pose the most serious threat since the last oil shock

initiatives and understandings about acceptable exchange rate fluctuations.

The extent to which these commitments have helped to stabilise the currency markets is a moot point. Stepped up intervention by central banks has undoubtedly been a factor working towards currency stability. The fact that the industrial countries have provided the markets with some official leadership has also been a stabilising factor. So too has the Federal Reserve Board's demonstration that it is willing to raise interest rates to defend the dollar.

But follow through on domestic economic policy changes by the US, Japan and West Germany has lagged behind.

Japan has moved some way with its pre-summit announcement of a Y6,000bn ($40bn) package of expansionary measures.

The move has been cautiously welcomed by the other summit participants who can be expected, therefore, to refrain from "Japan bashing." But the likely impact on Japanese growth, and Mr Nakasone's ability to push the package through an obstructive parliament, remain crucially uncertain.

West Germany has not even gone that far. Although its economic growth rate is expected to slow to perhaps only 1.5 per cent this year, the Bonn Government has resolutely refused to adopt expansionary measures ahead of a tax-cutting package planned for next January.

Mr Baker had been using the threat of dollar devaluation to pressure Japan and West Germany into adopting the macro-economic policies the US favours. Now, however, with the industrial countries including the US publicly committing themselves to currency stability, Mr Baker's leverage is diminished.

Even the Reagan Administration itself has had to resort simply to promising that the US budget deficit wil decline by enough for it to claim that it is living up to its side of the bargain. The real confrontation on budget priorities between the administration and the Democratic Congress will not begin until next month. Were the White House to signal in Venice that it is ready to concede a significant increase in taxes to achieve a credible deficit reduction package, it would be undercutting its own negotiating position with its political adversaries in Washington.

Many suspect that some top advisers surrounding President Reagan including Mr James Baker, the Treasury Secretary, do indeed want to strike a deal. Whether the President can be convinced is a question which is subject to intense, but not well informed, speculation.

The summit's final communique will undoubtedly endorse the co-ordinated strategy to stabilise the dollar agreed in Paris.

But serious reconsideration of underlying economic policies will have to wait until the annual meeting of the International Monetary Fund in September. It will not be the first time summiteers will have reached for such an escape hatubc.

In the meantime, maintaining confidence in the dollar could prove even more difficult. President Reagan's decision last week to replace Mr Paul Volcker as chairman of the Federal Reserve Board, the US central bank, by Dr Alan Greenspan is a major factor. Dr Greenspan is a man of solid reputation but limited international experience. H efaces the task of building his credibility against a background of nervousness over Congressional moves to pass a protectionist trade bill, concern about inflationary pressures in the US economy and fears that recent increases in interest rates to defend the dollar could undermine US economic expansion.

Where the seven are going on policy co-ordination may seem obscure; but plans for handling Third World debt are even more uncertain. Their basic strategy, built around negotiating separate solutions for individual countries seeking to reschedule debts, will be reaffirmed and new initiatives promised to give special relief for the poorest debtors, mainly in sub-Saharan Africa. These would involve, among other things, a move towards concessional interest rates.

Japan has stirred considerable interest by its talk of launching a special $20bn fund for debtor countries, but Mr Nakasone will be pressed hard for details as to how the money woul dbe distributed, and what proportion would represent additional funds.

Citibank's decision last month to take a $3bn loss on its Third World loans by increasing its loan loss reserves has thrown a shadow over the way forward. While raising the prospect of greater flexibility in dealing with the debt crisis, it leaves unanswered the problem of how to increase financial resources to debtor countries when commercial banks are still failing to provide the new loans envisaged under the so-called Baker plan for Third World growth.

Non-economic issues seem, in prospect, even more troublesome. More often than not a "joker" emerges in the two or three weeks before a summit. This year, President Reagan's desire for an allied contribution to Washington's attempt to defend shipping through the Gulf has caused the allies some consternation.

Some, like Britain, question the Reagan Administration's wisdom in proposing to allow Kuwaiti oil tankers to fly the American flag.

Some kind of common front will be necessary in Venice however. Here the escape hatch may be the United Nations. Instead of pressing for an Allied military contribution in the Gulf, the US is now focusing upon a possible UN resolution calling for a cease-fire backed with an embargo on the sale of arms.

On the other major foreign policy issue — the summit will tackle — arms control — the discussion may be smoother. The West German government's success last week in overcoming its internal divisions to endorse the "double zero option" should enable Nato foreign ministers to give broad backing to the US negotiating position at their meeting this week in Reykjavik.

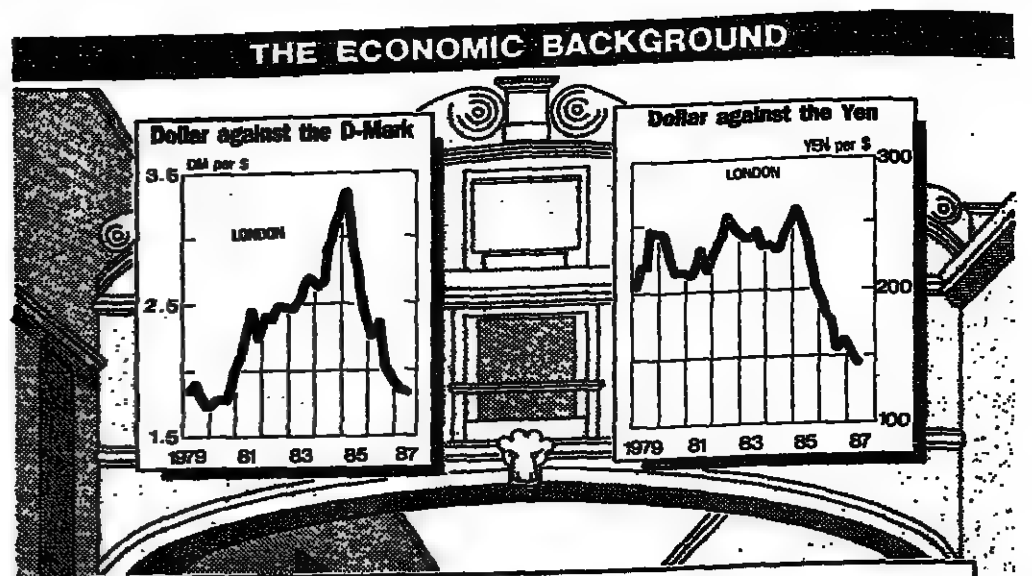
Relative Allied unity on arms control, however, cannot conceal anxiety about President Reagan's leadership of the Alliance, which was so badly bruised by the near disaster at its Reykjavik summit with Mr Gorbachev and has been further harmed by revelation in the Iran/Contras hearings and by the disarray that has emerged in Washington over policy in the Gulf.

Aware of his weakening public image, Mr Reagan has begun to try and counter the propaganda campaign Mr Gorbachev has mounted in Europe.

So far, however, Mr Reagan has failed to get his message across. He is seen by European officials, as well as large segments of the general public, as lacking dynamism and competence and being out of tune with European preoccupations.

This European perception is, however, understood in Washington. A recent Congressional report on US-European relations concluded that over the past decade, "judging from West European reactions to US policies and measured against the goal of enhancing consensus in Nato the US has not been a very effective Alliance leader." To be so, it added, the US "needs to take into account European perspectives."

With Washington so preoccupied with its own economic problems, so intent on blaming its trading partners for its difficuties and with a weakened presidency, the summit will be hard-pressed to find convincing responses to the problems at hand. But since everyone involved needs a political success, the final communique can scarcely claim less.



GDP growth (%)

	Average 1969-78	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
World	4.3	3.4	2.1	1.8	0.6	2.6	4.4	3.1	2.9	2.7	3.1
Industrial countries	3.4	3.4	1.3	1.4	−0.4	2.7	4.7	3.0	2.4	2.3	2.8
Canada	4.8	3.9	1.5	3.7	−3.3	3.1	5.5	4.0	3.1	2.0	3.0
US	2.8	2.5	−0.2	1.9	−2.5	3.6	6.4	2.7	2.6	2.3	3.1
Japan	5.8	5.3	4.3	3.7	3.1	3.2	5.1	4.7	2.5	2.7	3.3
France	4.5	3.3	1.1	0.5	1.8	0.7	1.5	1.4	2.2	1.8	2.1
W. Germany	3.5	4.0	1.5	—	−1.0	1.8	3.0	2.5	2.4	1.9	2.0
Italy	3.4	4.9	3.9	0.2	−0.5	−0.2	2.8	2.3	2.8	2.9	2.3
UK	2.2	2.7	−2.5	−1.4	1.5	3.5	2.9	3.4	2.5	3.0	2.3

Source: IMF

Current Account
($bn)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
US	−1.0	1.9	6.3	−9.1	−46.6	−106.5	−117.7	−140.6	−138.9	−129.4
Japan	−8.8	−10.7	4.8	6.9	20.8	35.0	49.2	86.0	83.0	82.0
W. Germany	−6.0	−15.7	−5.2	4.1	4.2	7.0	13.3	36.0	34.9	28.7

Source: IMF

Cake for all in Egypt

When Fawzi Metwalli, the Egyptian entrepreneur, staged the opera Aida in Luxor recently, he ran up against an almost immoveable object: the bureaucracy.

It was a credit to him that he persevered. The Luxor Aida was, by any standards, a memorable production of a famous work. But Mr Metwalli's exasperation was obvious when he told reporters that "everyone wants a piece of the cake." He was expressing the perennial frustration of those seeking to do business in Egypt.

In Britain people complain about the weather. In Egypt they complain about bureaucracy. It is a dismal subject, but Egyptians bring to it a capacity for wry observation and a fertile sense of the ridiculous. They are known throughout the Arab world for their humour at the expense of bureaucrats. It serves, one suspects, for a defence against a monolithic state that has traditionally weighed heavily on its citizens.

Max Weber, the German sociologist, described the Egypt of the Pharaohs as a "purely bureaucratic state." It is an observation that could equally well apply today.

Professor Saad Ibrahim of the American University in Cairo attributes this bureaucratic tradition to the country's reliance on the waters of the Nile. The allocation of the water has been, since the time of the Pharaohs, the task of state officials.

Oldest joke

In Egypt the first recorded complaint against an oppressive official can be found in the "Book of the Eloquent peasant," which dates from 1,000 BC. The story line has cvanged little over the years, and a feature of popular culture is the attention given to anti-bureaucratic themes in books, plays television and radio serials, cartoons, and jokes told on street corners.

Men and Matters

Thus during the recent Ramadan fast a television serial at evening peak viewing time featured the story of Sonbol, the peasant, wha had made his million and wanted to help his country by developing desert land, but was frustrated by layers of bureaucracy.

During his truggles Sonbol, played by the popular comedian, Mohammed Sobhy, encountered and old man, who, like him, was trying to get a permit to reclaim desert land. Eventually, after seven years, the old man was granted permission whereupon he propmtly upped and died.

Such a theme may appear crude to a western audience, but to Egyptians it strikes a special chord. Ingrained in the Egyptian lexicon is the phrase "Fut alina bukra", which means, literally, "Come back tomorrow".

It is the standard responce of Egyption officials, who in a recently Government-commissioned time and motion study found, on average, work just twenty minutes a day.

Tewfik Hakim, the celebrated Egyptian writer, in his play "The Sultans Dilemma," included the following exchange, in which a judge sought to establish a man's identity.

"Tell me something about this person . . . what does he do?", the judge asked. "Nothing" is the reply.

"Has he no profession?" Allegedly yes, but that is not the case. "He is alleged to have a profession, but does not work?" "That is so." The judge concludes, "Then he must be a civil servant."

Salah Djahine, Egypt's best-known cartoonist who died recently, used as his standard character an individual named Abdel Aady El Bureacrati, who embodied some of the perverse characteristics of Egyptian bureaucrats. A morning radio programme pursues similar themes as those in the press about official obstructionism.

"But if you weren't here to get away from it all—who would you vote for?"

Death throes

Egypt's legion of bureaucrats weild formidable power, partly because of weight of numbers. Thirty three per cent of the workforce of about 10m is employed by the Government, eight times the number in most western countries.

Overmanning adds to the delays. The Mugamma, a vast structure of Stalinist appearance on Cairo's central Tahrir Square, is the country's bureaucratic HQ. It is the place where citizens engaged in relatively simple tasks, such as securing a passport or pension rights, encounter the bleak face of the officials. In their frustration people have been known to throw themselves to their death from the stairwells of this huge mausoleum.

Complex procedures are a feature of the Egyptian bureaucracy. When I registered my car recently I went through no fewer than 12 steps, including the payment of gratuities, which took the best part of a day in surroundings that could only be described as chaotic.

Integral to the Egyptian system is the payment of baksheesh, a Turkish word dating from Egypt's Ottoman era which means the payment of a tip, or fee, for service. These gratuities were traditionally offered to menial workers but it is now the practice for even middle level officials to exact payment of baksheesh to perform relatively simple tasks. The distinction between baksheesh and bribery has become blurred.

In effect baksheesh in Egypt these days oils the wheels of a creaking bureaucracy. Most citizens don't have the time, or literacy, to thread their way through the maze, hence the need for agents who can be found outside most offices where the public deals directly with officialdom.

These agents have connections with bureaucrats. They function, for a fee, as go-betweens. At a higher level foreign companies are also obliged to employ agents who assist their clients in penetrating the Egyptian bureaucracy.

Donkey's tale

Conversation with Egyptians is spiced with jokes about the problem. One that sums up the frustrations involves a conversation between a camel and a donkey. The donkey, on his way back to his village, encounters his friend, the camel, who is running away. The camel tells the donkey not to return because the bureaucrats have entered the village and are killing off all the donkeys.

The donkey considers this piece of news for a moment and then asks the camel why he is fleeing, to which he replies. "How do I know they will make an exception for me".

The Egyptian Government has various plans to improve the situation but few expect great changes. "You just talk about it but don't do anything," says Mohammed sid Ahmed, an newspaper columnist. There's the pyramids, and there's bureaucracy".

Observer

ETHICS AND THE UK ELECTION

Thatcher's jungle, Kinnock's zoo

By Joe Rogaly

POLITICAL morality is the issue that matters most in this election. For there is a fundamental difference between the values of the Thatcherite Conservatives and the *Kinnock-led* Labour opposition. Less obviously, the ethical origins of the Liberal Party differ from those of its Social Democratic partner, but life is too short to contemplate all that. The British as a whole are reluctant to date *morality of any kind*, on the grounds that (a) such talk is pretty airy-fairy, while *(b) those who profess superior* values are probably bogus. Yet an inner consciousness of values is probably the strongest in political life.

It is certainly a strong force in modern conservatism. Mrs Thatcher's new testament could be made up of a bound volume of books of her prophets, from Adam Smith to F. A. Hayek, with commentaries by *their* latter-day disciples, starting with one of her early policy *advisers, Ferdinand Mount*, and concluding with her newest, Professor Brian Griffiths. The Centre for Policy Studies, initiated by Sir Keith Joseph, has published such commentaries in a series of slim pamphlets. They tell it all.

"I believe that one fixed point in a Christian view is the significance of the individual," writes Professor Griffiths, who points out that "the compassion of the Good Samaritan was shown to an unfortunate individual, and not to some discriminated against group or *disadvantaged social class*." In truth, most of the new Tory thinkers seem to have been rattled by the tendency of Church of England bishops to demand higher taxes and more spending on the poor.

But they do not deny that these are ethical *matters*. "A moral precondition of an effective policy *for* a property-owning *democracy*," says Mr Mount, "is that the propertyless should be accorded dignity and opportunity." (Straight cash is usually excluded from such precepts.) According to Professor Griffiths, "inflation is at heart a moral problem, because inflation is theft." It results, he says, "in a wholly capricious redistribution of income: from the weak to the strong, from the saver to the borrower, from the pensioner *to those still in employment* . . ." Lay those pieces *on the table for a moment*: the significance of the individual by the side of the wickedness of inflation. Add the importance of property. Find a place for opportunity. Now the other pieces snap in easily. The market economy falls into position in the puzzle without effort.

Behold: prices are stable and the ownership of homes, small businesses, and shares in larger *companies* is widely spread. Savings become reliable. Consumers are satisfied. Following *the party's manifesto, schools* propagate "moral values: honesty, hard work and responsibility." Not to mention "character", better "standards of personal discipline" and greater aspiration to higher achievements. Individuals become responsible for their own well-being and that of their families. As good Marxist-Leninists like to dream, the state practically withers away.

Indeed, you could tease the thread out to the extreme that Professor Griffiths calls "libertarian ideology", under which education, welfare and health care might be privatised. Pull a little harder, follow the logic through, and you abolish immigration controls, censorship, and laws restricting prostitution or the taking of drugs. Wait. The permissive half of "libertarian *ideology*" *would be regarded as* profoundly immoral in Mrs Thatcher's Downing Street; the privatising *half is* probably seen as a trifle impractical.

A hasty back-track is required, to 1980s Thatcherism, with its vision of a society in which the majority of individuals and families take care of themselves in a property-owning market economy. *This* is the famous Tory dictum that policy must run with human nature, and not against *it*. Or, as Dr Jose Harris of St Catherine's College, Oxford, *puts it, the division* is between "those who see society as a jungle and those who see it as a zoo." To be fair, in the Thatcher jungle there is a place for help to the unfortunate.

Following Victorian practice, this group is best divided into "deserving" and "undeserving." The first comprises people who cannot look after themselves: the severely disabled, perhaps, or the very old, or possibly the long-term unemployed. It is *accepted that the modern state* will help them, although the moral preference is that individuals, families, companies, voluntary organisations, and *communities should stretch out* the hand of charity. Such are the ethical responsibilities of *property-owners. In the absence* of a religious underpinning, this essential heart of Thatcherite morality is hard to follow, *for* the human nature that makes the best of the market-place is not always the same human nature that makes personal sacrifices in order to help others. The lion does not invariably lick the wounds of the lamb.

The increase in inequality since 1979 is beyond dispute

As to the undeserving poor—those who could better themselves but fail to do *so*—the moral perception is that it is bad for such people to keep them in a state of dependency. If you do, Mr Mount suggests, you support "a belief that we are stuck with a permanent underclass which will never be able to take on the responsi*bilities which we regard as* a normal part of life." We sure are talking Victorian values here. Yet this line of thought is very strong among American *conservatives*. "*Throw money*" at the slum-dwellers, their argument runs, and you render *their state of subjection* permanent. Signal that you expect them to help themselves and, *miraculously, they will*.

The ultimate immorality, to such thinkers, is socialism. The best way of defining it, as seen through Thatcherite eyes, is "whatever extends the boundaries of the state." Under socialism thus regarded, we are all caged in Dr Harris's zoo.

*The Kinnock version is some*what different. It is more difficult to define, partly because there is no Labour equivalent of Sir Keith Joseph's Centre for Policy Studies, and partly because there is such a striking difference between the Marxist/Trotskyist ideologies of activists on the Left of the Party and the values of such Labour leaders as Mr Roy Hattersley, Mr Bryan Gould and Mr Kinnock himself. Thus a great deal of the *socialist* ethos of years gone by has been excluded from this year's mani*festo. Nationalisation of the* means of production has been watered down to a mild programe of "*social ownership*". The 1983 rhetoric about a fundamental shift in the balance of power towards working people has vanished.

Perhaps the overriding moral imperative of the Kinnockite Labour party is a commitment *to* greater equality. I remember asking Mr Hattersley some years ago about his position on *the trade-off between freedom* and equality. He came down unequivocally *on the side of equality. It is a sincerely held* view: the freedom to purchase a good education, or health care, *or a decent house* does not exist for people on supplementary benefit. The fact that some people can be seen to be exceptionally rich and privileged is hard for the party to take; the poverty at the lower end of British society fills many *of* them with a sense of moral outrage.

This can also be traced back to the *Victorians, and in* particular to the Oxford Movement and its offspring, the Christian *Socialists*. Whether today's Labour leaders profess a faith or not, the intellectual roots of their passion for equality are to be *found* in such 19th century interpretations of the Christian ethic. Mr Kinnock's friends *say* that he was profoundly influenced by his mother, a devout chapel-goer. Yet Dr Harris, *writing in* the Times Literary Supplement, finds the role of Christian-inspired philanthropy "problematic," on the ground that "Christians had been under a duty to love their neighbours for at least nineteen centuries before they thought of doing so through the medium of a welfare state."

It is not such a *puzzle* when one considers the conditions of life in modern city centres. It is very easy to understand the strengthening of such values in present-day Britain. The latest document in evidence, "The Growing Divide," is published today by the Child Poverty Action Group. Now the CPAG is a pressure-group for the *poor*. It found that the quantity of poverty had risen under the last Labour government. Its *testimony must be* judged accordingly. Yet when all the discounting has been done, the *number of old people living* uncared-for in appalling accommodation does not fall. The *number of long-term* unemployed continues to rise.

The *increase* in inequality *since 1979 is beyond dispute*. This is not only a consequence of lower taxation of the rich: it also follows from the more rapid rise in incomes of those in work as against benefits paid to those who are dependent upon the state. Between November 1978 and April 1979 both prices and benefits very nearly doubled. Average disposable income per head rose by a further quarter on top of that. You can argue details until you are blue in the face. But consider two children in comprehensive school with both parents *out of work. The family* social security cheque will be the equivalent of less than £5,000 a year, plus rent. They probably live in a council estate. Who can say that they have as good a chance as the better-off majority of children? In such circumstances equality of opportunity is a chimera. That is why values are so important. A Labour Prime Minister who regarded care for such people as a matter of prime concern *would naturally come to* very different conclusions about taxation and the management of the economy than Mrs Thatcher, whose starting-point is the creation of wealth. Each sees a different country, and a different ethical basis for the organisation of society. That is what the election is about.

Lombard

Germany after the zeros

By David Marsh in Bonn

AT *FIRST sight*, West Germany's worries about the superpowers' plan to dismantle medium-range nuclear missiles in Europe look like just another example of the way the Germans always make everything difficult.

In reality, West German anxieties, troubling not only conservatives within the centre-right coalition but also some strategic thinkers on the liberal political fringes, may turn out not to be so far fetched after all.

The mere fact that they are being so hotly discussed in the Federal Republic will certainly present the Soviet Union with significant opportunities in the East-West power game.

Unless the US and the other western allies handle the matter very carefully, the upsurge of debate in the Federal Republic about where its strategic interests really lie may herald a steady weaning of West Germany away from Nato in coming years — and a strengthening of its readiness to make economic and military concessions to Moscow.

On the face of it, the Soviet Union is offering a bumper give-away. The "double zero" option reluctantly accepted last week by the Bonn coalition, envisaging the scrapping of missiles of between 500 and 5,000 km range, will lead to the Soviet Union dismantling a far larger number of warheads, including some (in the 500 to 1,000 km range) where the West has no comparable weapons.

There are three reasons why the West Germans are looking Mr Gorbachev's gift horse in the mouth. The Soviet nuclear weapons which are left—of under 500 km range—will be uniquely targeted on Germany.

Second, the removal from Europe of US Pershing II and cruise missiles which can hit Moscow amounts (in spite of continuing presence of 200,000 American troops in the Federal Republic) to a distinct *shift along the path of* "decoupling" of US strategic interests from those of West Germany.

This exposes front-line West Germany more than ever to the potential threat from numerically superior Warsaw Pact conventional tanks and chemical weapons.

Third, Nato's shorter-range nuclear missiles and artillery which will now assume greater importance *in military* strategies are for the most part not only stockpiled in West Germany, but also intended to explode there. These weapons deter not so much the Russians, but more the West Germans, from fighting a war.

The mistrust, much voiced recently by conservative West German commentators, of the motives of the US, France and Britain in pushing for the "double zero," could become self-fuelling. The more talk there is in the Federal Republic of the country being open to "blackmail" from the Soviet Union, t he more likely the *Americans (and the Russians)* are to believe it—and "decoupling" will have gone a *step further*.

If this weakened underpinning for West German security within Nato were to result in greater efforts to boost conventional forces by the Federal Republic, then the outcome would perhaps be satisfactory.

But this is unlikely to be the case. The prosperous West Germans have grown tired of Cicero's maxim — those who want peace must prepare for war. West German defence spending has been roughly stable in real terms over the past few years.

Economic, *psychological* and demographic factors (the declining number of young men *available for conscription) all* argue against any increase in overall defence efforts in coming years.

The West Germans could be increasingly loath to support US efforts to bar Soviet access to sensitive technologies. They may be persuaded to agree generous commercial deals in exchange for promises of more liberal Soviet treatment of dissidents and emigres.

Moscow can also be expected *in one way or another to* nurture the forces of neutralism on both left and right — *ranging from the peace move*ment to some of the proponents of German reunification.

In short, the West should take note of the West German warning signals. Those who think the German "double-zero" worries are just a short-lived storm are likely to be proved wrong.

Letters to the Editor

Centralisation policies

From Professor G. Jones and Mr T. Travers

Sir,—Marc Living (June 3) accuses the Financial Times of corporatist assumptions although the system he supports is *far* more corporatist than current *arrangements. At* present elected representatives have at least some influence over housing and education, whereas he proposes the handing over of huge tranches of public money to non-elected and unaccountable groups, which will press for their own interests.

His scheme does not involve the passing of power to individuals and the operation of real markets, nor cutting completely free of the state. In housing non-elected institutions will effectively receive state assets at a knock-down price. *In* education the state will be giving money from taxpayers to what is in essence a pressure group, namely school governors. So, Mr Living is a bigger corporatist than the advocates of local government.

If the Conservative Party's manifesto is enacted the citizen will be left isolated facing central government, without the buffer of an intermediary tier of local government. The citizen will be overwhelmed by the centre, since it is more difficult for an individual to cope with Whitehall than with the local town hall.

It is not just the Conservatives who are proposing more centralisation. The Labour and *Alliance* Parties are urging minimum standards to be imposed on local government, the *forcing of local authorities to* abolish selective education, and the establishment of regional government, which will inevitably pull powers upwards away from local authorities.

(Professor) George Jones,
Tony Travers
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Joining the EMS

From Mr N. MacKinnon

Sir,—Mr de Nemeskeri-Kiss (May 27) takes me to task for ignoring the "credibility" impact that UK membership of the EMS might have in reducing both inflationary expectations and (as a result) the level of domestic nominal interest rates.

While I accept that EMS membership may well have this type of effect (assuming, of course, that wage bargainers and price-setters respond appropriately) this was not the central point of my letter (May 20).

Let me reiterate briefly. A fixed or semi-fixed exchange rate target not only involves greater interest rate volatility (a point which Mr Nemeskeri-Kiss accepts) but in the case of the EMS means a sacrific of domestic policy independence, and in particular limits the ability of the UK authorities to *react to the impact of external* shocks on sterling such as changes in the oil price. The *problem is made more acute* in attempting to tie the value of sterling against the Deutsche-Mark, given the *unrestricted* mobility of capital between the two currencies.

Whatever impact EMS membership has, initially, on the absolute level of interest rates in the UK the factors mentioned above imply that the future path of interest rates is by no means certain. Indeed thereafter, there is likely to be sharper and more frequent changes in the level of interest rates.

Neil MacKinnon
*Nomura Research Institute,
24 Monument Street, EC3.*

Voting in Australia

From Mr K. Underhill

Sir,—Re "Voting in Australia," (June 4) the system used for the House of Representatives is not proportional representation. It is a transferable vote in single member districts, often called the alternative vote. It cannot represent both the majority and minority in any single district, and thus does not lead to PR.

A more important matter is the impression gained that transferable voting is complex, and time consumnig. The problems of a high number of spoiled ballots and the long count are due entirely to the law whereby voters must mark large numbers of preferences: if voters were allowed to mark as many of few as they wished, far fewer ballots would be *spoiled* and the counting time would be drastically reduced. Electoral reformers in Austra*lia have long wanted this* unnecessary requirements repealed: electoral reformers in *the UK oppose compulsion.*

Keith Underhill,
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6 Chancel Street, SE1.

Simulated stimulation of the West German economy

From Dr K. P. Kriegsmann

Sir,—Your editorial of June 2 predicts West Germany will be the focus of international demands to stimulate its economy. Certainly, the Japanese's recent actions will raise the question: why are policies desirable for one stagnating, surplus country not equally desirable for the Federal Republic? This question, however, must be combined with another: what would a reflationary policy effect in West Germany? I agree, moreover, that the other summit participants are not *demanding* West German expansion for reasons of pure altruism; they are, of course, interested in the spill-over benefits to their own economies. This suggests yet another question: what would the benefits of German reflation be *globally*? I have attempted to answer these queries with a simulation run on an econometric model of the world economy. To start with the result: Such a policy would be good for West Germany but not successful in helping the world *economy*.

The point of departure for the simulation was, naturally, German fiscal policy. I assumed Mr Stoltenberg will agree to bring forward income tax cuts from January 1 1988 to July 1 1987 and will increase the amount from just DM 15bn to *DM* 21.2bn (of which *DM* 2.8bn belong to corporate taxes). These measures will be aided by expenditure increases of DM 4bn in 1987 and DM 20bn in 1988, and following that expenditure will rise at the currently planned growth rates. *Ex ante*, the Finance Minister will—in our simulation—stimulate the economy by 1.2 per cent (DM 22bn) of nominal GNP this year and 2.1 per cent (DM 41.2bn) next. This would *not*, however, result in a 1988 budget deficit DM 41.2bn greater than currently expected. As the stimulated economy fosters increased income and demand, other taxes would grow faster than anticipated. The end effect on the deficit would be a worsening of DM 13bn in 1987, DM 17bn in 1988, and DM 11bn in 1989. I *assumed* that *monetary policy* will accommodate fiscal policy with long-term government bond yields rising only 30 basis points.

As a result of the monetary policy, fiscal policy would have no perceptible impact on exchange rates. Until 1989 inflation of consumer prices would be *one-half* percentage point higher, still far below the average for industrialised nations. In 1987, the policy would alter almost nothing in terms of growth, as it comes too late. *On the average for the* coming two years, however, real GNP would rise by 1.1 per *cent pa stronger. This* is smaller than *ex ante* expectable because of the stimulus, since real *imports would grow* 2.2 per cent more in each year—the spill-over effect. The current *account surplus would decline* by DM 15bn and DM 16bn in 1988 and 1989, respectively, amounts smaller than the value of the rise in imports and attributable to increased exports demanded by Germany's trading partners resulting from the spill-over stimulus to their economics. German nominal exports of goods would be unchanged in 1987, DM 4bn (plus 0.7 per cent) higher in 1988 and would surge by DM 11bn (plus 2 per cent) in 1989.

While the net effect of such a policy for West Germany would be significantly positive, the results for other countries *are clearly disappointing*. Looking at the entire period 1987 to 1989 for Italy, Belgium, the *Netherlands and Austria* growth of real GNP would be only 0.6 per cent greater than expected. For the bulk of the European countries, including *France* and the United Kingdom, additional exports to West Germany in 1988 would result *in* a strong rise in imports in 1989, leaving only a small positive effect on GNP *growth*.

The world economy's main problem is clearly the US current *account deficit, and there* are two basic solutions: cut domestic demand (the public-sector *deficit*), *or, increase* foreign demand to push up US exports. Our simulation shows *a possible German contribution* toward this second strategy. The result is, it would be unsatisfactory. US exports of goods would be $2bn higher in 1988 and $3bn higher in 1989. Although the US bilateral trade deficit would be halved by 1989 *to* the level of 1983 (1986: DM 28.3bn), the contribution to solving the primary problem would be *minimal*. What is more, the cost to the West German government would be DM 40bn in additional borrowing over the coming 10 quarters, all to lower the US current account deficit by $3.3bn (DM 5.6bn). The price *is much too high to make* this a reasonable strategy. The price, however, may be adequate if such a policy could dampen protectionist demands on Capitol Hill!

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FINANCIAL TIMES

Monday June 8 1987

Roderick Oram on Wall Street

Unusually active phantom

A PHANTOM of the Big Board was the most actively traded security on the New York Stock Exchange *several days last week, even though* it is a figment of investment bankers' imagination which may never materialise.

The hot stock, accounting for 3 per cent of volume some sessions, carries the name Harcourt Brace Jovanovich but will only end up in investors' portfolios if the US publishing group pulls off a $3bn recapitalisation.

Under the plan devised to thwart a hostile takeover attempt by Mr Robert Maxwell, the British publishing czar, Harcourt Brace shareholders will receive a $40 dividend and one preferred share for each common share they hold. After recapitalisation, the common shares will become "stubs," trading at a deep discount reflecting the pay out.

Trading in "when issue" stocks and bonds is relatively common on Wall Street although almost always the security's value is well indicated and buyers can be sure it will be delivered. Harcourt stubs, however, are difficult to price, and they must clear a number of legal hurdles, including Mr Maxwell's attempt to block the deal in the courts.

None the less, the stubs are being keenly traded. Shareholders of record today will get the dividend and preferred share if the recapitalisation is completed, but they can sell their ownership of the stubs to lock in a profit on them. Other investors are buying stubs in hope of spectacular appreciation seen in previous recapitalisations.

Arbitrageurs, still smarting from the infamy heaped on them by Ivan Boesky and other takeover speculators, are enjoying a crack at piece of classic and legal arbitrage. They are exploiting the difference in the shares' price before vs after recapitalisation.

"There's some risk from problems which might throw off the recap," an arbitrageur said. "But I don't think the whole thing will collapse and the price of the old stock fall."

The full shares are trading around $58 and the stubs at just over $10 although some arbitrageurs think they may be worth closer to $14 immediately after the recapitalisation. The small price and margin requirement make them attractive speculative shares. No money changes hands until the recapitalisation is complete. So, if it fails, the stub trades are ripped up with no financial loss to either side.

Logistics of nullifying the trades would be relatively easy. The transactions have been forwarded to the Securities Industry Automation Corporation, which clears Wall Street's trades. Siac will not process the Harcourt stubs until just before a definitive settlement day yet to be fixed. If the recapitalisation is aborted, it simply cancels the trades.

Permission for trading the stubs was given last week by the New York Stock Exchange, after an internal review. It feels comfortable with the trading of the stubs on a "when as or if" basis, but "anyone who buys or sells in that market should be aware of the circumstances surrounding it," an official said.

The Big Board is still investigating whether stubs of Allegis, another recapitalisation candidate, should be traded. The travel group's plan to fight off an investor group intent on breaking it up are not as advanced as Harcourt's, and lacks key elements, such as record dates.

No security can be traded until it has been registered with the Securities and Exchange Commission. But the Harcourt stubs are covered by the old common shares' registration document, even though the balance sheet and ownership will be transformed by the recapitalisation.

Stocks trading "when issue" fail to come to fruition perhaps only four or five times a year out of several thousand issues, estimates an official of the National Association of Security Dealers.

A notable one last year was an attempted recapitalisation of Warnaco, a Connecticut-based clothing manufacturer, which was trying to foil a hostile takeover. The recapitalisation was almost finalised when the management bowed to an increased offer of $550m from the raider, forcing the stub trades to be ripped up.

But when the transaction goes several days further, the unwinding process can be fraught. Perhaps the most tragic case happened in June 1983, with the initial public share offering in Eagle Computer, a California maker *of IBM clone personal* computers.

After celebrating closing the deal, which made him $9m richer, Mr Dennis Barnhart, the company's *founder* and chief designer, was killed when his Ferrari crashed.

The death of such an important company official invalidated the offer document.

Tories confident of victory despite Labour pressure

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

MRS MARGARET THATCHER, the UK Prime Minister, will later *today fly to Venice for a 24-hour visit* to the world economic summit confident of securing re-election on Thursday, despite continued Labour pressure in key marginal seats.

All the parties yesterday held celebrity rallies around London to reinforce their final campaign messages. Mrs Thatcher talked of renewed national confidence and developed the "don't let Labour wreck it" theme of the Tories' major series of national press advertisements.

Labour yesterday presented itself as the leader of the "moral majority in Britain that no longer wants to see the health service, schools and pensioners excluded from economic prosperity" and sought to appeal to supporters of the Social Democratic Party/Liberal Alliance, arguing that it was now out of the election.

LATEST OPINION POLLS

	Cons	Lab	All
Harris (Observer)	44	33	21
Harris polling survey for TV-am	43	33	22
Average of five latest polls	42.5	34.5	21.2

Alliance leaders, putting a brave face on their party's sluggish poll ratings, claimed they were doing well in their target seats. Their final election broadcast last night followed Labour's first highly-praised broadcast in having voters and celebrities talking about the qualities of the leaders against a background of soft music. The theme was "the politics of the heart and the head."

The main national opinion polls all point to a continued large Tory lead, and an overall House of Commons majority of about 80, down from 144 at the last general election. *However, two surveys of marginals* point to a majority of between 30 and 60.

Mr Bryan Gould, Labour's campaign co-ordinator, said the party was "very well placed now to close on the Tories." He said the turning point of the campaign was last Thursday when Mrs Thatcher spoke about her preference for private health care, and said this had not yet been reflected in the polls.

He cited private polls showing Mr Neil Kinnock, the Labour leader, five or six points ahead of Mrs Thatcher as people's preferred choice as prime minister and claimed that this would show in voting intentions in polls on Tuesday and Wednesday.

Details and analysis, Pages 12, 13; Ethics of UK election, Page 17

Lloyd's syndicate faces losses of £248m over asbestos claims

BY NICK BUNKER IN LONDON

ONE of the biggest marine insurance syndicates at Lloyd's of London has been forced to provide against possible losses of £248m ($406m) over the next 20 years because of claims arising from asbestosis and environmental pollution in the US.

The syndicate – number 317/661 – has asked 1,458 people who belonged to it in 1982 to contribute £10.27m now to bolster its reserves of cash, investments and reinsurance.

Mr Richard Outhwaite, the syndicate's underwriter, said that would mean that a member of 317/661 who had a £40,000 share of its 1982 premium income would have to pay £8,396 this summer.

Mr Outhwaite's reserves include £190m in special reinsurance policies, of which £67.5m comes from a "time and distance" policy payable in annual instalments between the years 2000 and 2004.

The £248m figure is a "best estimate" of the ultimate losses arising from business written by Mr Outhwaite five years ago, when he was making a market in special reinsurance contracts for other Lloyd's syndicates.

Syndicate 317/661 agreed then to take over the liabilities of dozens of syndicates in respect of policies they wrote in the 1950s and 1960s.

This has left it open to huge claims arising from damages paid by US corporations to victims of occupational diseases or pollution.

Mr Outhwaite's figures have been keenly awaited at Lloyd's because he is involved in a wrangle with at least six syndicates which bought reinsurance policies from him in 1981–2.

In the 1986 annual report for syndicate 317/661, Mr Outhwaite says he has queried claims by some Lloyd's syndicates and insurance companies "not as a result of cash flow difficulties" but because of "genuine concern" over the information given to him when the policies were originally written.

At least one of the six syndicates has already begun legal action to recover money from Mr Outhwaite.

The dispute has caused considerable concern in the Lloyd's market, partly because at least three syndicates have been unable to close their 1984 accounts because of uncertainties over whether Mr Outhwaite will pay up.

UK in airship deal for US Navy

BY JAMES BUCHAN IN NEW YORK

THE US NAVY has awarded a $168.9m contract to Airship Industries of the UK and Westinghouse Electric, the US electrical equipment manufacturer, to examine whether airships can help protect vulnerable naval vessels from low-flying missiles.

The contract, which is for the development of a single radar-carrying prototype, is expected to revolutionise the outlook for lighter-than-air craft which for 20 years have been relegated to advertising, public relations or carrying sightseers.

The deal will transform Airship Industries, which was rescued from the brink of bankruptcy in 1984 by Mr Alan Bond, the Australian entrepreneur. If the prototype proves effective when fully operational in 1990, the US Navy is expected to order more than 40 airships to give surface vessels early warning of low-flying missiles such as the Exocets that hit the US frigate Stark in the Gulf last month.

The US-British joint venture, which was formed during the depths of Airship's troubles in 1984, outbid Loral, the New York-based defence contractor which owns Goodyear's airship business.

Goodyear, which has been building airships, or blimps, since the First World War and supplied the navy airships which went out of service in 1962, sold its aerospace division to Loral in March.

British officials and outside analysts say that Airship's Sentinel 5000 is technically more advanced than Goodyear's 1960s-vintage aircraft. The contract is also regarded as a balance to last December's purchase by the UK Ministry of defence of US-made Awacs aircraft.

The order, which is for the prototype and mission avionics, carries options for up to five more airships, with a maximum value of a further $294m. About 20 per cent of the contract work will be handled at Airship's base at Cardinton, near Bedford.

The joint venture hopes that other US Government agencies, including the coast guard service and the US Air Force, will interest themselves in airships.

Summit stands by pledge

Continued from Page 1

mulatory measures will also come under close scrutiny.

For Mrs Margaret Thatcher the UK Prime Minister, the summit will provide an opportunity to project her chosen image as one of the world's senior leaders prior to Thursday's general election.

Mrs Thatcher will arrive in Venice after the other summit leaders tonight, but in time for the opening dinner for heads of state and government. She will also be present for the formal session on Tuesday before returning to London at *lunchtime on that day.*

President Reagan will see Mrs Thatcher for bilateral talks on Tuesday morning, a meeting which she is expected to use to its full advantage *in the pre-election television* coverage.

Some of the gloss has been taken off her visit, however, by an apparent snub to the Italian hosts. The caretaker *Italian Government hosting* the summit is irritated that Mrs Thatcher has not found time even to pay a courtesy visit during the summit to Mr Amintore Fanfani, the Prime Minister.

Although Mr Fanfani has only been prime minister for a little over six weeks and he is expected to step down after the Italian general election next Sunday, *his preparation* for the summit has included visits to all heads of government in their national capitals except Mrs Thatcher, who was unable to receive him.

Because of the Italian domestic political crisis which broke at the beginning of March, senior officials have carried a heavier burden than usual in organising the summit agenda.

Mr Renato Ruggiero, the director general of the Italian Foreign Ministry, has at times enjoyed almost *ministerial status,* particularly during a visit to South America in the spring when he was received by President Raul Alfonsin of Argentina and President Jose Sarney of Brazil.

The Italian Government is hoping that the summit can bring some clarity to governments' future handling of the debt problem after Brazil's decision to halt interest payments and Citibank made provision for a large proportion of its non-performing debt.

An innovation Italian officials brought to the preparations was the use of a single document which, from the beginning of discussions between officials, was the base of the summit's draft conclusions. This was constantly updated and amended in the light of external events and discussions between the summit sherpas, the heads of government's personal representatives.

World Weather

		°C	°F
Ajaccio	S	25	77
Algiers	S	30	86
Amsterdam	F	15	59
Athens	S	26	79
Bahrain	S	33	91
Bangkok	C	32	90
Barcelona	F	22	72
Beirut	S	24	75
Belfast	R	9	48
Belgrade	S	27	81
Berlin	C	21	70
Biarritz	S	27	81
Bombay	S	34	93
Bordeaux	C	20	68
Brussels	C	16	61
Budapest	S	26	79
B. Aires	F	18	64
Cairo	S	32	90
Cape Town	S	18	64
Caracas	C	27	81
Casablanca	S	23	73
Chicago	C	[illegible]	65
Cologne	F	20	68
Copenhagen	C	16	61
Corfu	S	28	82
Dallas	S	18	64
Dublin	C	12	54
Dubrovnik	S	24	75
Edinburgh	C	14	57
Faro	F	24	75
Florence	S	27	81
Frankfurt	F	16	61
Funchal	S	26	79
Geneva	R	15	59
Gibraltar	S	29	84
Glasgow	C	14	57
Guernsey	S	11	52
Helsinki	C	11	52
H. Kong	R	26	79
Innsbruck	F	25	77
Inverness	R	11	52
Islamabad	S	42	107
Istanbul	S	22	72
Jakarta	C	30	86
Jersey	R	13	55
Jo'burg	S	15	59
Lima	C	21	71
Lisbon	F	23	73
London	C	15	59
Los Angeles	C	17	63
Luxembourg	C	15	59
Madrid	F	26	79
Majorca	S	30	86
Malaga	S	22	72
Malta	S	26	79
Manchester	R	10	50
Manila	S	36	97
Melbourne	S	11	52
Mexico City	—	—	—
Miami	C	29	84
Milan	S	24	75
Montreal	C	19	66
Moscow	F	23	73
Munich	R	19	66
Nairobi	C	23	73
Naples	F	25	77
Nassau	S	30	[illegible]
New Delhi	S	42	108
New York	C	26	78
Nice	F	21	70
Nicosia	S	30	86
Oporto	C	17	63
Oslo	F	14	57
Paris	F	17	63
Peking	S	30	86
Prague	R	16	61
Reykjavik	C	10	50
Rhodes	S	26	79
Rio de J'o	R	28	82
Rome	S	24	75
Salzburg	F	23	73
San Francisco	C	[illegible]	[illegible]
Seoul	[illegible]	[illegible]	[illegible]
Singapore	F	31	88
Stockholm	F	16	61
Strasbourg	R	15	59
Sydney	C	16	61
Taipei	R	29	84
Tangier	Fg	21	70
Tel Aviv	S	26	79
Tenerife	S	25	77
Tokyo	S	30	86
Toronto	C	20	68
Tunis	S	32	90
Valencia	S	28	82
Venice	S	23	73
Vienna	F	25	77
Warsaw	F	23	73
Washington	S	19	66
Zurich	R	15	59

Readings at mid-day yesterday.
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Theft shows flaw in trade

Continued from Page 1

shares were then sold through the London stock market to Schroder Securities and then to Smith New Court, which has been asked by the police and insurance companies involved not to engage in any further transactions relating to them.

The sale of the bonds was facilitated by the failure of the Swiss Bank Corporation to inform the police of the disappearance of the package until last month. The first indication that something was amiss was given on March 24 when Swiss Bank Corporation telexed Warburg to ask for payment for the shares. Warburg replied the next day, saying they had not yet arrived.

US Bell group to battle for UK Telecom market

By David Thomas in London

COMPETITION in the liberalised UK telecommunications equipment market is set to intensify as a result of the entry of one of the large US Bell regional telephone companies.

Southwestern Bell, one of the seven companies spun off from American Telephone and Telegraph in 1984, is to start selling a range of equipment in Britain aimed at the residential and small business markets including telephones, telephone answering machines, cordless phones and private exchanges for small businesses, known as key systems.

The venture, Southwestern Bell's first in Europe, is the first attempt by a Bell operating company to break into the UK telecommunications equipment market. It is a further sign of the determination of the Bell companies to expand *their* international operations.

The company will also market a voice-activated telephone, which will allow callers to phone out without having to dial a number. These phones are increasingly popular in the US, but are so far rare in Europe.

Mr Zane Barnes, Southwestern Bell's chairman and chief executive officer, said the company would like to do other business in Europe.

It wanted to become involved in directory publishing, where it is one of the industry leaders in the US, and also selling equipment in other European countries as their markets liberalise.

Southwestern Bell, which had net income of $1.02bn on sales of $7.9bn last year, is to sell its Freedom Phone line in the UK. It sold more than $100m of this range in the US last year.

Mr Barnes said the company was making an initial investment of millions of dollars in order to capture a significant share of the market.

Mr Stephen Carter, managing director of the UK operation, said the company intended to launch 12 products next year in the UK, after they had passed the approvals authorities, using existing distribution channels.

He said: "Southwestern Bell has resources on a par with British Telecom and will not be content just to scratch the surface."

"Looking at the privatisation of telecommunications, there is a big opportunity here," he added.

Southwestern Bell holds more than 70 per cent of a company it has set up to carry out its UK operations. The remaining shares are owned by two British managers it has recruited to run the UK operation.

Southwestern Bell is attacking the bottom end of the market, which has seen the fiercest competition since the liberalisation of telecommunications.

Prosperity eludes gondolieri

Continued from Page 1

followed by lunch with President Francesco Cossiga.

No sighting has yet been made in Rome, Venice or anywhere else of the electronically-controlled "pigeon bombs" which, according to one Italian newspaper, soldiers and police have been told to look out for.

Their instructions, it is reported, are to keep an eye out for odd flying trajectories, but it is not known whether they are being encouraged to shoot suspects out of the skies.

A more easily verified and immensely more constructive application of electronics will be found, anachronistically, in the 17th century library of the cloisters on the island of San Giorgio Maggiore, a six minute vaporetti ride away from St Mark's square.

While the heads of *government* will be seated at the library's oval table, each one's adviser will be a small distance away at an Olivetti designed electronic marvel.

In the distant 1970s, these advisers used to battle between the summit room and their delegation offices carrying messages, requests for information or scribbled screams of alarm from their political masters.

Thanks to Olivetti, all exchanges in Venice will be electronic. The adviser has a choice of optical pen and electronics note pad, a desk top television camera or a silent facsimile unit for communicating with his delegation.

The "back office" communications to the summit room are received on a message screen.

Olivetti is not saying how much it has cost to develop this summiteer's delight, which also incorporates special linguistic facilities for the Japanese

THE LEX COLUMN

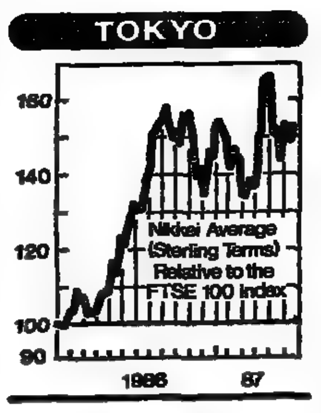
Waiting for Tokyo

If the City of London had its way, the Japanese would be allowed to cast their votes in Thursday's general election. For the UK fund management fraternity is convinced that their opposite numbers in Japan are just waiting for the re-election of the Conservative Party before sending a tidal wave of money into the UK equity market. So when the odd poll less favourable to the Conservatives is published, or anticipated, and the market makers mark prices down, the pension funds and the insurance companies are not actually selling. For they have been bitten once and are doubly shy.

Over a year ago the British institutional investors *decided* that *it* was time to reduce their stake in the Japanese stock market. The price earnings multiple, at around 40 times earnings, was far too high for comfort, they told their trustees, and the Japanese economy did not look in great shape. On old-fashioned fundamental grounds it was a sell.

They sold – at enormous opportunity cost, as the Nikkei average, and the yen, continued to climb. Now the London market is more attuned to the Japanese concept, that weight of money, and not just investment fundamentals such as earnings, is the key to understanding the future direction of share prices.

So now the British investors look across and see that the Tokyo market is on a prospective multiple about five times higher than the FT All-Share, and that Japanese investment funds are sitting on about $150bn cash, and they think of the terrible things their trustees will do to them, if they once again sell out 12 months too early to the Japanese. So when the London market makers shake the trees, these particular monkeys will hold on to the branches all the harder.



Circumstantial

The evidence that the Japanese, and foreign investors generally, will salute a Conservative victory with their billions is no more than circumstantial. It is true that the Japanese need to invest overseas in order not to be completely suffocated by an appreciating currency. It is true that foreign equities, and UK shares in particular, are substantially underrepresented in Japa*nese portfolios on any normal* weighting criteria.

But US stockbrokers are rubbing their hands with the thought that once a little local difficulty known as Irangate *is* cleared up, the Japanese will pile into their equity market. Not only is the US more suited for investment on a Japanese scale, Japanese investment houses which switch from dollar bonds to equities of the same currency will not be obliged to crystallise their massive foreign exchange losses.

What the Japanese experienced *in the US debt market should tell* the UK equity salesmen something else: that good money can become bad, no matter how big it is. *Leave* aside the currency losses, the Japanese have also lost about 200 basis points on their Treasury bonds over the past few months. Which *is* to say: a sell decision by large domestic institutions will be sufficient to drive prices down *and* innocent bystanders could get hurt.

In any case, Nomura and friends are not so stupid as to attempt to pile in on Day One of the Thatcher third term. They can wait, perhaps for a few months. By which time the Japanese wall of money story will be wearing a bit thin even for the most persuasive of equity salesmen. *It is difficult* enough to assess how much the Japanese have bought in the UK, let alone to divine how much they are buying or, most spurious of all, will buy.

Misleading

Figures from the Japanese Securities Dealers Association suggest that for the first three months of this year, the Japanese were net sellers of UK equities. This has tempted the thought: if the UK market can go up by a quarter while the Japanese are selling, who knows what heights it will reach if they are actually net buyers? But the statistics, which have gained some currency in London, are very misleading, because they appear to cover only purchases originating in Japan. The bulk of the Japanese buying of UK equities will probably have come from the London outposts of the Japanese securities houses, which are thought to have been net buyers on a considerable scale, as witness the first days of the secondary market in Rolls-Royce shares.

For that to be repeated a Tory victory is mandatory but not just any old victory will do for the *foreign investors. An overall* Conservative majority of 20 will seem fine to the UK investor, *familiar* with the Parliamentary Whip and the concept of dictat by majority. But seen from Japan a Tory majority slashed by 120 seats, and a resur*gent socialist vote,* could reawaken fears that Britain is not entirely behind the Thatcher experiment.

A Labour victory may well be the unthinkable thought for Yuppie dealers, but the market they are working in should be discounting all results, in proportion to the probabilities. The London Business School and Hoare Govett have studied this phenomenon, by tracking the hourly movement of the FTSE index on May 21, a day on which the bookmakers changed their election odds frequently, as conflicting opinion polls came in. The way in which the FTSE index gyrated to these items of news, implies an index fall of over a fifth to 1,700 if the Conservatives lose the election, according to the LBS. Don't panic. That is where the index was at the start of the year, when the Conservatives were eight points ahead in the polls.

Anyone who invested last Friday in a June option to sell the FTSE at 2,000 points would make a 19-fold return on his stake, if the market really did fall to 1,700 points. On the same day bookmakers William Hill was offering odds of only 4 to 1 against a Labour victory. In 1964 Sir Max Joseph cried all the way to the bookies when he won his hedging bet on a Labour election victory, but if he were alive today he would surely have placed his insurance in the traded options market.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday June 8 1987

INTERNATIONAL BONDS

World Bank sets Eurosterling benchmark

THE APPROACH of the Venice summit of leading industrial nations this week proved a good excuse for most Eurobond dealers to limit trading activity last week, even though few expected any initiatives on economic co-ordination to emerge from the meeting, writes Clare Pearson in London.

The Eurodollar market attempted to improve early in the week, encouraging three houses to launch new fixed rate issues. But primary market activity was then stymied by the turmoil provoked by news of Mr Paul Volcker's impending departure as chairman of the US Federal Reserve Board.

Dealers had barely time to recover from this to find that Venice was almost upon them.

Paradoxically, the Eurosterling market saw much of the action in the primary market last week, even though dealers said that investors' orders had dried up pending the result of the June 11 general election.

Two fixed-rate Eurosterling bonds emerged for supranational borrowers, the Asian Development Bank and the World Bank, as their lead managers judged that these were the names most likely to be snapped up in a renewed inflow of funds in the event of a Conservative victory in Britain's general election this week.

The gamble looked a touch too brave on Thursday when the gilt market fell over a point on rumours that an up-coming opinion poll would show significant gains for the Labour opposition, and the price of the World Bank's freshly launched £200m 20-year deal was pulled down in the commotion.

By Friday, however, the rumour was confounded and the World Bank's deal was back trading around its fees, and Baring Brothers, the lead manager, could congratulate itself that it had satisfactorily set a new benchmark in Eurosterlings with the issue.

The bond represents a landmark not only in that it is the largest Eurosterling fixed-rate bond yet seen, but also the largest issue for a sovereign or supranational issuer in either the Eurosterling or the bulldog market (the domestic market for foreign borrowers).

The Bank of England has previously been thought to limit issue sizes to £100m for these types of borrowers.

Bulldog traders, however, were less than delighted with its appearance. Starved of new issues for more than a year, and almost forgotten by investors, this market has become less and less liquid of late.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	488.2	357.4	168.7	3,966.4
Prev	189.4	325.2	857.0	5,061.5
Other	2,658.2	2.6	0.0	584.9
Prev	4,839.3	6.3	72.1	218.1
Secondary Market				
US$	21,477.0	1,706.1	15,969.3	6,687.6
Prev	24,375.4	1,593.9	16,383.6	6,026.5
Other	18,140.1	848.3	6,439.3	12,477.9
Prev	22,507.6	772.1	5,040.0	10,519.8

	Cedel	Euroclear	Total
US$	13,857.8	36,941.9	50,799.7
Prev	14,950.9	40,040.5	55,021.4
Other	16,262.8	24,875.6	41,138.4
Prev	16,516.2	27,459.0	43,975.2

Week to June 4 1987 Source: AIBD

In response to the move into the Eurosterling market by the World Bank, which has two long-dated bulldog issues outstanding, depressed bulldog dealers instantly set about marking prices of supranationals down, concluding that the issue signalled that there should be a higher yield premium for illiquidity in their market.

The conclusion that the bulldog market is dead was probably precipitate, however. Bankers have long been predicting that it will gradually merge into the Eurosterling market, but it still has some distinct advantages both for issuers and investors.

It is for instance still uniquely possible to raise really long-term funds, of 30 years or more, in the bulldog market. And most UK institutions, who absorb the bulk of the long-dated Eurosterling bonds, prefer it because price behaviour is far more stable and because they get a greater say in the pricing of bonds than is available in the wider, Eurobond marketplace.

Elsewhere last week equity warrants bonds for Japanese borrowers continued to pour forth from the stables of the Japanese securities houses, and, with one notable exception, they traded around or above par.

Nevertheless, a $100m deal for ball bearings producer Minebea met so little demand that it had to be withdrawn by the lead-manager, Nomura International. As Normura itself pointed out, this was a remarkable move as it marked the first time that a deal for a Japanese borrower had been withdrawn for any reasons other than general market conditions.

The decision caused a diplomatic incident in the Japanese sector of the market because Daiwa, which was lead-managing an identical, fungible tranche of the issue in Asia through Daiwa Singapore, did not follow Nomura's lead. It did increase the coupon on its tranche by ½ point to an indicated 1¾ per cent.

This was expected to do little for a bond that had traded at almost unheard of discounts of around 10 points below its issue price.

The incident is likely to cut down issuing activity by less popular Japanese companies in the market for Eurobonds with equity warrants attached, as it suggests that they will have to pay a much higher premium than their more favoured counterparts.

● Merrill Lynch Capital Markets announced $500m multi-tranche tap programmes for the London branches of Mitsubishi Trust and Banking and Fuji Bank. They will be able to issue certificates of deposit of one to five year maturities with semi-annual interest payments in tranches of at least $50m each.

Court puts block on bid for Burlington

By Our Financial Staff

BURLINGTON INDUSTRIES, the largest US textiles group, has been granted a preliminary injunction barring the $1.85 hostile takeover offer by Mr Asher Edelman, the New York investor, and Dominion Textile of Canada.

Burlington made the request in a federal court in connection with its $500m lawsuit alleging that the $77 a share offer was based on confidential inside information.

The suit alleged that the partnership, called Samjens Acquisition, violated anti-trust and securities laws. Burlington said it was "gratified that the court has enjoined the group from proceeding with a tender offer."

Burlington also said the court ruling "establishes that everyone must comply with law in making a tender offer."

During a hearing on the request for the injunction earlier last week lawyers for Samjens said a preliminary injunction would kill its bid for the company.

Egypt rejects venture move by US bank

BY TONY WALKER IN CAIRO

EGYPT'S Central Bank has quietly turned down a Bank of America request to divest itself of its share in a local joint venture to an Islamic investment company.

Bank of America said the Central Bank had indicated it would not approve a transfer of the bank's 40 per cent share in the Misr America International Bank (MAIB) to El Rayan Investments.

The US bank said the Central Bank turned down the request on the grounds that El Rayan was not considered a suitable partner in such a venture.

Government officials have criticised the burgeoning Islamic investment sector which, in some cases, has been offering returns of 20 per cent on depositors funds.

These investment houses operate under an ill-defined set of laws, and in some cases effectively outside government control.

MAIB's shareholders, apart from Bank of America, include the Misr Insurance Company, the Industrial Development Bank of Egypt and the Kuwait Real Estate Bank.

MAIB said it broke even last year, but it is no secret that Bank of America has been anxious for some time to divest itself of its shareholding.

El Rayan, the most prominent of the Islamic investment houses, proposed investing about $14m in MAIB, whose paid up capital totals $7m.

New foreign exchange regulations are believed to have persuaded institutions such as El Rayan to seek an involvement in the mainstream financial sector. But Egypt's Central Bank has proved reluctant to approve transfers of ownership or new shareholding arrangements in local banks.

● Crédit Suisse has had a long standing application to be allowed to convert its operations from those of a foreign currency branch to a joint venture. Approval has not yet been given.

EUROCREDITS

Anxieties over Norwegian loans unnerve bankers

NO SOONER had bankers' nerves been calmed over the now-rescinded threat by Fuerzas Electricas de Cataluna (Fecsa) of Spain to cut interest rates on its debt pending a rescheduling, than their blood pressure was set rising from another quarter – Norway, writes Stephen Fidler in London.

Norway's parliament is expected to discuss on Wednesday a proposal which will force 33 foreign banks to write off as much as 40 per cent from the more than $230m which they are owed by the state-owned industry group, Kongsberg.

While the loans were not explicitly guaranteed by the government, the banks argue that the state has a moral obligation to make sure the company makes good its loans.

Bankers say such a ruling by parliament would worsen the credit standing of other state sector borrowers in Norway and damage their efforts to raise new money. There are also suggestions that bank lines to these enterprises may be being cut.

Meanwhile on Friday, a Fecsa steering committee comprising about 20 banks was near to completion, with replies awaited from two or three Spanish banks.

Following the signing last month of a $400m loan for Bank of Greece, talk is surfacing of a return by Greece to the loan market. A partial refinancing would avoid a bunching of debt repayments next year. OTE, the state telecommunications concern, is expected to be the borrower, to be followed by the Public Power Corporation later in the year.

Associates Corporation of North America is raising $250m over five years in a revolving credit with swing-line, arranged by Merrill Lynch. It pays a margin of 18.75 basis points, with a utilisation fee of five basis points if more than half used. There is a commitment fee of 7.5 basis points.

Butler Securities arranged a $250m multi-currency certificate of deposit issuance programme for the Britannia Building Society, the UK's 10th largest. Kleinwort Benson, First Chicago and Union Bank of Switzerland were appointed dealers.

Orion Royal Bank is arranging a £50m, eight-year bullet term loan for Hammerson Property. It carries a margin of 25 basis points for years one to five, and 31.25 basis points for the remainder. The commitment fee is 6.25 basis points.

Orion is returning to the market to expand from $200m to $300m a note issuance facility arranged in 1985 for Colorado Interstate Corporation.

A Citicorp-arranged deal for Montedison of Italy is to be increased from $200m, perhaps by up to 50 per cent.

South African glass group's sales increase

By Jim Jones in Johannesburg

PLATE GLASS and Shatterprufe Industries (PGSI), the South African-owned glass and timber products distributor, increased sales by 20 per cent in the year to March and is budgeting for further growth in the current year.

Turnover increased to R1.68bn ($832m) from R1.40bn and pre-tax profits were R115.5m against R80.6m. The directors say the relative contributions of the South African and foreign operations remained unchanged.

GM to upgrade Antwerp plant

BY WILLIAM DAWKINS IN BRUSSELS

GENERAL MOTORS Continental is to spend BFr 2.8bn ($74m) over the next year to modernise and upgrade its Belgian production facilities in Antwerp.

The bulk of the cash will be spent on merging the two factories on the Antwerp site, a project due to be completed by autumn next year, and on making modifications for the production of future Opels models, including the new Ascona.

The move follows the investment of BFr 26bn on the Antwerp plant since 1979, bringing the total close to BFr 29bn. GM is Belgium's largest car-maker, having produced 141,318 vehicles at the Antwerp plant in the first four months of this year, up from 139,776 in the corresponding period of 1986.

Last year's total production reached a record 383,000 Opels and Vauxhalls.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

REGULATION

SEC may relax rule on foreign securities

STAFF AT the Securities and Exchange Commission in Washington are considering the relaxation of a rule on the distribution of foreign securities in the US which could have a significant effect on the international equities and Eurobond market.

The rule, which prevents the sale in the US of foreign securities until 90 days after their issuance, is one of a number of issues now being discussed by SEC staff relating to international capital flows.

The SEC said last week that no decision on whether to relax the rule has yet been made, but that this was under active discussion because "it may no longer be reflective of market conditions."

Other connected issues under consideration include the possible acceptance by the SEC of foreign prospectuses, perhaps after certain amendments, perhaps in reciprocity agreements with other countries.

While the commissioners have yet to be presented with any recommendations from the staff, it is clear any easing of the way for newly-issued foreign securities to US investors would have major repercussions for the role of US firms in the Euromarkets and foreign government securities markets.

US securities firms have been arguing that their ability to compete internationally has been hindered by the effective absence of a "home market" for the placement of new issues. While this has forced them into finding an international investor base, it has become difficult for them, for example, to elbow their way into a number of international equities issues which are being offered on a regional basis.

As evidenced by the events of the last 12 months, the SEC's role has nothing to do with making life easier for Wall Street. But, providing a relaxation would be deemed not to conflict with its brief of vouchsafing the public interest and protecting investors, then it might be sympathetic to its arguments.

Stephen Fidler

Stockholm SE fines four companies

BY SARA WEBB IN STOCKHOLM

THE STOCKHOLM Stock Exchange is to fine four Swedish companies, including the automotive and aerospace group Saab-Scania and the dairy equipment and process engineering group Alfa-Laval, for recent breaches of their listing regulations.

At the same time, the Stock Exchange said it plans to introduce the idea of an "observation list" on July 1 whereby companies which are under investigation, for example for breaches of the registration agreement, would temporarily be put on a list as a way of alerting the market. The observation list would take effect at the same time as tighter legislation on insider trading comes into force.

Saab-Scania, Alfa-Laval, Fläkt, the ventilation equipment group controlled by ASEA, and Piren, a property company, were fined for breaching listing regulations because they had released information to shareholders which had not been given to the Stock Exchange first.

According to Swedish regulations, Stock Exchange fines are calculated at between one and 10 times the annual registration fee, which in turn is related to the size of the company.

Sabb-Scania was fined SKr 463,758 (or the annual registration fee) for failing to inform the Stock Exchange of its full-year forecast for 1987 when it released the information at its shareholders meeting in May.

As for the observation list, a company could stay on the list for up to six months while under investigation by the Stock Exchange, for example for breaches of the listing agreement. This might lead to a fine or even a delisting — as in the case of Fermenta which issued misleading information.

Companies which are undergoing major structural changes or which are in the process of being taken over would also be candidates

"This is not a punishment, only a signal that the situation is different," said the Exchange.

The Fermenta affair, among others, increased awareness that Swedish legislation regarding insider trading needed to be tightened up. On Thursday, Parliament passed legislation to extend the period during which board members of a company that was planning a takeover could not trade shares in the target company.

Oslo plans laws to regulate stock exchange

BY KAREN FOSSLI IN OSLO

NORWAY'S MINORITY Labour Government is planning new laws to regulate the Oslo Stock Exchange, reflecting its concern about insider trading and volatility caused by short-term trading.

The Norwegian stock market is presently self-regulatory with its board consisting of nominees from trade and industry. However, proposals unveiled by the Finance Ministry, and not yet discussed by parliament, will allow the government to appoint the exchange's board, which will have five to seven members, and a new 25-member advisory committee.

Violation of regulations on reporting of company information and stock manipulation could lead to a three-year prison sentence, according to proposals.

Observers said it was too early to tell how the market would react to the proposal but expressed concern over the attitude which a Labour government-appointed board might have towards the stock exchange and its members.

Mr Erik Jarve, president of the Oslo bourse, did not think that the proposal would effect present trading levels. He said: "I think that the stock exchange will remain an independent institution in the future under government control and the only difference between today's proposal and current regulation is that the bourse will fall under jurisdiction of the Finance Ministry rather than the Trade Ministry."

Mr Gunnar Berge, Minister of Finance, said that he expects the proposal to be approved by the Storting (Norwegian Parliament), although he admitted that he had not yet consulted other political parties

One stockbroker said that the new proposal could have a short-term psychological effect on the bourse. Annual turnover rose from NKr 2bn in 1982 to NKr 30bn (US$4.46bn) in 1985, but there has been uncertainty over continued investment by foreigners, who could be hit by a proposed two per cent share trading tax.

When news of the share tax leaked in early May, investors took flight and the Oslo bourse registered the steepest one day fall since its inception in January 1983.

The Finance Ministry says its new bourse regulation proposal is largely in line with similar regulations enforced by Sweden and Denmark.

Market value near $1bn likely for FMC gold unit

BY STEFAN WAGSTYL

FMC, the Chicago conglomerate which last year carried out a $1.8bn recapitalisation to ward off potential predators, is this month to float off its gold mining interests as FMC Gold, which will have a market value of up to $975m.

The group, which produces chemicals, defence and oilfield equipment, is joining a growing list of companies which have taken advantage of the high stock market valuations currently being given to gold shares.

It is offering for sale 7m shares in FMC Gold at a suggested price of between $13 and $15 each. The money raised will be used to repay intercompany debt and to fund the gold company's future ventures.

FMC will retain 89 per cent of the equity in the subsidiary.

Half the shares are being sold in the US and the rest overseas, including some in Europe.

FMC Gold, which produced 224,500 ounces of gold last year, has interests in two mines in Nevada, the largest gold-producing state in the US. The company has 30 per cent of the Jerritt Canyon mine, in northern Nevada, and 100 per cent of Paradise Peak in the south of the state.

In May last year FMC took $2bn of debt on to its books to recapitalise the company by paying shareholders $80 a share cash. The scheme cut outside shareholders' stake from 81 per cent to 59 per cent.

Brierley to buy 15% of state-owned Petrocorp

BRIERLEY INVESTMENTS (BIL), Mr Ron Brierley's New Zealand master company, is to pay NZ$140m (US$80.74m) for half of the shares to be issued to the public shortly by state-owned Petroleum Corporation of NZ (Petrocorp, Reuter reports from Wellington.

Mr Paul Collins, BIL chief executive, and Mr Bill Falconer, Petrocorp managing director, said in a joint statement that BIL would get 100m shares, a 15 per cent holding, for NZ$1.40 per share.

The government said in March it would sell 30 per cent of Petrocorp, and the company plans to release its prospectus next month and issue shares in early August.

The statement said BIL's purchase followed Petrocorp's offer of 100m shares by tender to a number of New Zealand companies operating in the resource sectors. Mr Falconer said Petrocorp and BIL had enjoyed a good relationship through interests in the gas industry

Meanwhile, BIL's planned acquisition of a 30 per cent stake in Rainbow Corporation, the New Zealand retailer, has breached Australia's takevor code, said Mr Henry Bosch, chairman of the National Companies and Securities Commission (NCSC) in an Australian TV interview.

The acquisition, which effectively gives BIL almost 40 per cent of Woolworths, the Australian retailer, would be the subject of a private NCSC inquiry, Reuter reports from Sydney.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
US DOLLARS							
Eagle Industr. ‡¶	17	1992	5	1⅞	100	Nomura Int	1.875
Mitsubishi Plastics‡¶	50	1992	5	1¾	100	Nikko Secs (Europe)	1.750
Daiichi Corp. ‡¶	100	1992	5	1⅞	100	Yamaichi Int (Eur)	1.875
Shiroki Corp. ‡¶	35	1992	5	2	100	Daiwa Europe	2.000
Asics Corp. ‡¶	50	1992	5	1¾	100	Yamaichi Int (Eur)	1.750
Daiwa House Ind. ‡¶	300	1992	5	1¼	100	Nomura Int.	1.250
L.M. Ericsson ‡§	60	2002	15	6⅞	100	Morgan Stanley	6.875
Tobu Railway ‡¶	100	1992	5	1⅜	100	Yamaichi Int. (Eur)	1.375
Takara Standard ‡¶	50	1992	5	1¾	100	Nikko Secs (Europe)	1.750
Tokyo Rope Mnf. ‡	50	1992	5	2	100	Nikko Secs (Europe)	2.000
Toei Co. ‡¶	50	1992	5	1⅜	100	Nomura Int.	1.375
Toppan Printing ¶	300	1992	5	1⅜	100	Nomura Int.	1.375
Shinetsu Chemical ‡¶	100	1992	5	1⅜	100	Yamaichi Int. (Eur)	1.375
Yakult Honsha ‡¶	80	1992	5	1⅜	100	Nomura Int.	1.375
Mitsubishi P'chemical ‡¶	150	1992	5	1¼	100	Nikko Secs (Europe)	1.250
Sekisui Plastics ‡¶	40	1992	5	1½	100	Yamaichi Int. (Eur)	1.500
Hyogo Sogo Bank ‡§	100	2002	15	1⅝	100	Nikko Secs (Europe)	1.625
Fukuoka Sogo Bank §	50	2002	15	1⅝	100	Nikko Secs (Europe)	1.625
Victor Co. of Japan ¶	50	1994	7	(2⅞)	100	Yamaichi Int. (Eur)	*
Victor Co. of Japan	100	1992	5	(1⅝)	100	Nomura Int	*
Mercedes-Benz Credit ‡	100	1992	5	8⅛	100½	Deutsche Bk.	8.120
Nat.Home Loans Corp. ‡	100	1992	5	8¾	100⅝	Commerzbank	8.590
RJR Nabisco ‡	150	1994	7	8¾	101⅜	Bk. of America Int.	8.488
Minebea ¶	100	1992	5	(1¾)	100	Daiwa Singapore	*
Mitsubishi Chem. ¶	200	1992	5	(1½)	100	Yamaichi Int. (Eur)	*
Canon Sales ¶	100	1992	5	1⅝	100	Yamaichi Int. (Eur)	*
Jardine Strat. Hldgs §	150 (a)	–	–	(6½–7)	100	CSFB	*
Toyo Sash ¶	100	1992	5	(1⅝)	100	Nomura Int.	*
Hokuriku Bk. §	100	2002	15	(1⅝)	100	Yamaichi Int. (Eur)	*
Daiwa Denchi ¶	100	1992	5	(1⅝)	100	Nomura Int.	*
Toyota Motor Cdt Corp. ‡	100	1990	3	8⅝	101⅛	Nikko Secs (Eur)	8.190
Blair Athol Fin. †	110	1994	6.7	15bp	100.15	CSFB	–
D-MARKS							
Degussa Int. Fin. ‡	200	1997	10	6⅛	100	Dresdner Bk.	6.125
Hoesch Int Fin ‡	150	1994	7	6⅛	100	Deutsche Bk.	6.125
DKB ‡	200	1992	5	5	100	Dresdner Bk.	5.000
STERLING							
Goodman Fielder UK ‡§	85	1997	10	5	100	CSFB	5.000
Asian Dev. Bk. ‡	50	1997	10	9½	101⅞	County Natwest	9.210
Oec Corp. ‡	66	2002	15	5	100	CSFB	5.000 (b)
World Bank ‡	200	2007	20	9¼	98¾	Baring Bros.	9.390
GUILDERS							
Rabobank Ned. ‡ **	200	1992	5	6	100¼	Rabobank Ned.	5.940
LUXEMBOURG FRANCS							
RBC Finance BV ‡ **	300	1993	6	7⅜	100	Bqe.Paribas (Lux)	7.375
FolksAmerica Hldg ‡ **	350	1992	5	7½	100¼	BGL	7.440
ECU							
Japan H'way Public Corp. ‡	120	1994	7	7½	101½	Bk. of Tokyo Cap. Mkts.	7.170
Kemira Oy ‡	100	1992	5	8	101	Kansallis-Osake-Pankki	7.750
Swedish Export Credit ‡	40	1992	5	7½	101¾	Nikko Secs (Eur)	6.950
SWISS FRANCS							
Pirelli & Co. ‡¶	100	1992	–	2¾	100	Credit Suisse	2.750
L.M. Ericsson ‡§	120	2002	–	2¾	100	Credit Suisse	2.750
IADB ‡	200	1999	–	5	100	SBC	5.000
Sparebkn.Rogaland ‡	40	1994	–	4⅞	100	Bqe.Gutzwiller, K.B.	4.875
Council of Europe ‡ **	50	1994	–	4⅞	100¼	Kredietbank (Suisse)	4.830
Iberduero ‡	150	1995	–	5	100¼	UBS	4.960
BHF Bank ‡¶	150	1997	–	4⅝	123	Bank Leu	2.000
Den Norske Cdt.Bk. ‡ϕ	50	1994	–	2½	100	Bqe Gutzwiller, K.B.	2.500
YEN							
Canada ‡	80bn	1992	5	4⅞	101½	Nomura Int.	4.840
Standard Chartered ‡†	12bn	1992	5	(d)	100	Yamaichi Int. (Eur)	(d)
DFC Fin.O'seas (c) ‡	10bn	1992	5	8¼	101⅞	IBJ Int.	7.780
NEW ZEALAND DOLLARS							
Unilever Cap. Corp. ‡	65	1989	2	18⅛	101¼	Hambros Bank	17.400
AUSTRALIAN DOLLARS							
Landesbank Stuttgart ‡	50	1992	5	13¾	101¾	ANZ	13.250
Fiat Fin. & Trade ‡	60	1990	3	14⅛	101⅝	CSFB	13.430
BNP NV Amsterdam ‡	65	1991	4	14	101½	CSFB	13.490
BP Capital BV ‡	100	1992	5	13¾	101¾	Deutsche Bk.	13.250
CANADIAN DOLLARS							
F'st Austrian Bk ‡	50	1992	5	9⅝	101⅝	CIBC	9.460
Avco Fncl Svcs Canada ‡	75	1992	5	10¼	100	Wood Gundy	10.250

* Not yet priced. ‡ Final terms. ** Private placement. ¶ With equity warrants. § Convertible. † Floating rate note. ϕ With gold call and put warrants. (a) 150,000 convertible cum preference shares with a nominal value of $1000 each. The preference shares will be convertible into ordinary JSH shares at an indicated premium of 12–16%. (b) Put option on April 15 1992 has been set at 128% to give a yield to put of 8.54%. (c) Dual currency, coupon in Australian dollars. (d) 9% for first year, then ¼ over New Zealand dollar bank bill mid rate.

INTERNATIONAL CAPITAL MARKETS

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.65	6.84	6.80	11.34	5.71
Three-month Treasury bills	5.68	5.68	5.52	6.50	5.01
Six-month Treasury bills	6.01	6.15	5.84	6.52	5.06
Three-month prime CDs	6.99	7.05	6.89	7.25	5.46
30-day Commercial Paper	6.85	6.83	6.70	7.70	5.55
90-day Commercial Paper	6.95	6.90	6.78	7.05	5.45

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wks ago
Seven-year Treasury	93	−0¼	8.35	8.33	8.25
20-year Treasury	100⅝	−0¼	8.76	8.74	8.68
30-year Treasury	100⅛	—	8.65	8.65	8.69
New 10-year "A" Financial	n/a	n/a	9.30	9.30	9.40
New "AA" Long utility	n/a	n/a	9.63	9.60	9.65
New "A" Long Industrial	n/a	n/a	9.63	9.55	9.60

Source: Salomon Bros (estimates).

Money Supply: In the week ended May 25 M1 rose by $4.1bn to $758.1bn

NRI TOKYO BOND INDEX

December 1983 = 100	4/6/87	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	140.90	3.87	141.26	137.50	131.20
Government Bonds	143.31	3.37	144.09	138.87	132.82
Municipal Bonds	140.27	4.57	140.31	139.13	131.58
Government-guaranteed Bonds	141.14	4.64	141.16	139.16	132.25
Bank Debentures	135.15	3.49	135.12	132.21	127.63
Corporate Bonds	138.09	5.07	137.97	135.93	129.79
Yen-denominated Foreign Bonds	139.56	6.06	139.32	136.24	132.12
Government 10-year†	—	4.15	4.02	4.95	5.37

† Estimated par yield.

Source: Nomura Research Institute.

US MONEY AND CREDIT

Noisy sell-off, sheepish recovery

LAST WEEK, US credit markets had to think the unthinkable: Mr Paul Volcker, the bondholder's friend, is leaving the Federal Reserve. Having clamoured for weeks that Mr Volcker be reappointed as Fed chairman, the markets duly fell to bits on Tuesday when he *announced his retirement*.

Yet, as so often with markets, by Friday the unthinkable was routine. Most fixed-interest sectors were back where they started, with the dollar sound and no great trepidation about *this week's economic summit* in Venice.

The markets have reservations about Mr Alan Greenspan, the distinguished economist proposed as Mr Volcker's successor: that he lacks experience of the formulation and carrying out of monetary policy, that he will find it hard to match Mr Volcker's international stature, that he has lately been a bear of the dollar.

They do believe that he is a monetary conservative. By the end of the week even timid international investors seemed to have come round to Mr Greenspan. At the least he is expected to champion dollar-support and anti-inflation policies against more growth-minded members of the board and an administration entering an election campaign.

There was even talk of a pre-emptive strike by Mr Greenspan to raise interest rates and convince sceptical markets of his anti-inflationary credentials. This seems most unlikely. Mr Greenspan will evidently need some time to work himself into the job.

More representative of market opinion was the inscrutable comment by the house of Aubrey Lanston: "The change in the helm at the Federal Reserve could result in a prolonged period of no change in the Fed's policy stance."

The response to Mr Volcker's announcement was a strong echo of the reaction to Citicorp's announcemnt last month that it was providing against some Third World loans. There was a sharp and noisy sell-off of bonds and then a steady and rather sheepish recovery.

The week began quite well. The markets were encouraged by the large packet of spending and tax-cut measures announced by the Japanese government and by the evidence that the Ministry of Finance was discouraging speculative short sales of dollars.

However, the signs of life *in the bond markets attracted* a swarm of corporate bond issues—including a $250m issue for Chase Manhattan—which were not enthusiastically received.

On Tuesday, corporate new issues were just one market in chaos. The Treasury 30-year bond, which is volatile because of its long maturity, fell 3½ points amid a wave of overseas selling. The drop, which left the long bond yielding 8.93 per cent, was the largest in a single day since 1982.

However, the market recovered half of that decline on Wednesday and the recovery continued to the end of the week, with some help from weak unemployment figures on Friday.

Tuesday's events show that the markets remain fragile. But the recovery suggests that the markets' extreme bearishness about the dollar and inflation has subsided.

The dollar ended the week at Y143.95, almost unchanged from its opening rate. The resilience of the dollar might seem perverse, since any lingering hopes that the Venice summit might produce measures to buttress the dollar may have been dashed by the retirement of such a consummate monetary diplomat as Mr Volcker. "It lowers the odds of anything of a dollar-support package," said Mr David Jones, an economist at Aubrey Lanston.

But market expectations of the summit are already low. At best, the markets are hoping that President Reagan will rescind some of the trade sanctions against Japanese electronics goods which ushered in the recent bout of dollar nervousness.

A more optimistic reading is that the dollar must be pretty *resilient to weather such a* shock as the imminent withdrawal of Mr Volcker. As Mr Philip Braverman of Irving Trust wrote at the end of the week, "Dollar stability is increasingly perceived worldwide as fundamental, not temporary." As for inflation, the price rises in commodities and precious metals have abated, even if oil prices continue to tick up in an ominous way. But last Friday's unemployment figures do not suggest an *economy about to let off steam* through price rises.

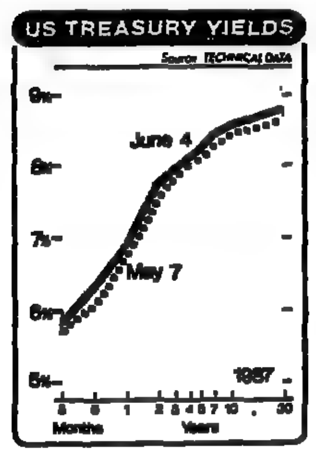
The increase of only 123,000 in non-farm payrolls in May shows a languishing economy, with particularly weakness in services. Retailers only took on 14,000 new employees.

* * *

THE FOLLOWING main economic statistics are due to be *released this week. The median* market expectations were surveyed on Friday by Money Market Services of Redwood *City, California:*

- The markets' main pre-occupation is with figures for April's merchandise trade deficit, due on Friday at 8.30 am. This is expected to show little improvement over the $13.6bn deficit in March. The median estimate from 37 analysts is for a deficit of $13.7bn. The range is from $11bn to $15.5bn.
- The markets will also be watching carefully for evidence of inflationary momentum. Figures on producer prices in *May are due at the same time* on Friday. The median estimate from 39 analysts is for an increase of 0.5 per cent, a slight *decline in the rate of increase* from the 0.7 per cent of April. The range of forecasts for May extends from 0.1 per cent to *0.8* per cent.
- Figures for retail sales in May are due on Thursday at 8.30 am. Sales are actually expected to decline, primarily because of a drop in car sales. The median estimate from 39 analysts is for a decline of 0.5 per cent after a rise of 0.1 per cent in April. The range of May estimates extends from a fall of 1.2 per cent to a *rise of 0.6 per cent.*

US TREASURY YIELDS



James Buchan

UK GILTS

Prospects hinge on election and summit

THIS WEEK sees two of the major events which could have the most fundamental *bearing* on what happens to the UK Government bond market in the months ahead—one is the Venice summit and the other is the general election on Thursday.

The summit is important in so far as it sets a trend in world currencies. A further period of pronounced dollar weakness if Venice fails to inspire confidence in currency markets should hit US bonds and work in favour of gilts.

Opinion is divided on how much more money can pour into gilts from overseas after the largely *foreign-led rally this* year. However, if more Japanese billions were to be disinvested from the US, fund managers *would look closely at Britain.* One primary dealer reports interest in gilts, for example, at several central banks which *have not invested in this market* for years.

Whatever the comparative attractions of different bond markets, prospects for gilts hinge crucially on the election.

Holding yields below 7 per cent has been a core belief, rarely seriously shaken, in a Conservative win. If there is no outright majority, we enter an entirely different ball game.

Assuming a Conservative victory, the question of sterling holds the key in a market which is already feeling queasy about the burden placed on it by the recent policy of capping the pound through intervention *which has radically changed the* funding outlook since Budget time when talk was of supply shortages.

Reserves have been built up by just under £6bn in March, April and May. Strictly, the effect of this on broad money *growth can only be neutralised* through the sale of debt on a one-for-one basis.

The authorities have made it clear that the bulk of the intervention will be sterilised over the course of the fiscal year and the market is now plainly concerned about the funding burden. Given no further intervention and no substantial reversal in the build up in reserves over the year, this seems to lie somewhere between £1bn and £1.5bn a month, somewhat higher than the average of past years.

In itself, this should not be too frightening. The gilt market is vastly more liquid and there*fore easier to* trade in than before Big Bang

Secondly, any further surge in sterling after the election would reflect extra demand for British assets. In this climate more intervention could relatively *comfortably* be neutralised by higher debt sales.

The authorities appear to be betting on only a short-lived period of overwhelming sterling strength post-election, followed by healthy two-way trade. Only if there were a period of sustained sterling strength would a policy of substantial intervention become untenable, not least because of *the burden it* would place on the gilt market. In this case it seems likely interest rates would have to be cut.

On the monetary implications of the intervention, the authorities appear to be fairly relaxed thus far.

Firstly, intervention should be largely sterilised. Secondly, some of the build-up in sterling deposits has been by foreigners which does not impact most measures of broad money supply. Although this cannot be completely ignored, it does not impinge so directly on domestic monetary conditions.

Thirdly, there is evidence to suggest that a proportion of the sterling bought in recent months has been to hedge against the perceived currency risk in holding dollar assets. Used as a portfolio balance, this sterling should be willingly held for the duration of the hedge and not leak into inflation.

The latter points suggest some flexibility at the margin of the full fund rule involving an element of judgment about the excess of liquidity over demand for money. Although the ground rule that the public ector should not contribute either negatively or positively to broad money growth remains, it is conceivable that there could be some modest underfunding if this was seen to be non-inflationary and intervention was placing too great a burden on the gilt market.

As one market maker put it: "Is the Bank really going to wreck the gilt market because of an unnecessarily rigid funding rule?"

Janet Bush

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABN Bank 8½ 91	150	97⅝	+⅛	9.26
Aetna Life & Cas 7⅛ 16	200	93⅛	+2⅜	8.38
AHFC O/S Fin 11¼ 94	100	101⅛	−2⅜	11.47
AIDC 11 89	75	102½	−⅛	9.23
Alcoa Australia 11 92	80	102⅛	−⅛	10.35
American Exps 12⅝ 88	150	104½	−⅛	8.89
Asian Dev Bk 11⅛ 93	100	108⅞	+⅛	9.30
Australia 11¼ 90	250	105⅛	−⅛	9.37
Australia 11¼ 00	100	108	−⅛	10.11
Austria Zero 95	100	46⅞	0	9.79
Bk of Montreal 16¼ 91	150	104½	−⅛	14.71
Bank of Tokyo 8⅜ 96	100	93½	+⅛	9.49
Bank of Tokyo 11 90	125	105⅞	0	8.76
Bank of Tokyo 11⅞ 90	100	108½	0	8.92
Bank of Tokyo 13⅞ 89	100	110⅛	0	8.68
Barclays Jersey 10⅛ 90	250	103⅛	−⅛	8.91
Barclays Jersey 10⅛ 95	250	105⅛	−⅛	9.69
Belgium 7½ 91	250	94½	−⅛	9.84
Belgium 7⅞ 91	300	96	0	9.00
Betawest Prop 7⅛ 93	150	93⅛	0	9.15
BFCE 7⅛ 93	100	91⅞	+⅛	9.12
Bk Nova Scotia 13⅝ 87	100	100⅛	−⅛	11.08
BNP 8⅛ 93	125	97⅛	−⅛	9.49
BNP 13½ 89	150	109⅞	−⅛	8.91
BP Capital 9⅝ 93	150	101⅛	+⅛	9.27
BP Capital 11⅛ 92	150	105½	+⅛	9.56
Br Col Hydro 10⅛ 88	200	101⅞	−⅛	8.29
Br Col Hydro 11⅛ 93	200	110⅛	−⅛	9.39
Campbell Soup 10½ 95	100	105⅞	0	9.43
Canada 10⅞ 88	500	103	−⅛	8.44
Canada 11½ 90	500	106⅛	−⅛	8.64
Canada Imp Bk 16⅛ 91	100	110⅛	−⅛	13.33
Can Natnl Rail 14⅝ 91	100	108⅞	0	11.90
Canadian Pacific 7½ 96	100	88⅛	−½	9.53
Canadian Pacific 10⅛ 93	100	104½	−½	9.80
[illegible]				

	Issued	Bid price	Chg on week	Yield
Philip Morris 9⅞ 98	200	101	+0⅛	9.71
PostOch Kred 13½ 87	50	100⅛	0	7.50
Postipankki 11⅛ 90	75	105⅛	0	8.89
Proctor & Gam 10 95	150	103⅞	+0⅛	9.30
Pru Rlty Secs 0 99	345	32⅞	+0⅛	10.06
Qantas Airways 8⅝ 96	97	94⅛	−0⅛	9.61
Quebec Prov 13 90	150	109⅝	[illegible]	[illegible]
Queensld Gvt 11⅛ 89	100	105⅛	[illegible]	[illegible]
Ralston Purina 11⅛ 95	150	107⅛	[illegible]	[illegible]
Reynolds R. J. 10⅛ 95	100	103⅛	[illegible]	[illegible]
Richardson-Vicks 11½ 93	125	106⅛	[illegible]	[illegible]
Rockwell Int 9⅞ 90	200	102⅛	[illegible]	[illegible]
Saskatchewan 7 91	125	95⅛	[illegible]	[illegible]
Saskatchewan 8½ 91	150	99	[illegible]	[illegible]
Saskatchewan 11⅞ 89	100	106⅛	[illegible]	[illegible]
Saskatchewan 15 92	150	122⅛	[illegible]	[illegible]
SAS 10⅛ 95	150	102	[illegible]	[illegible]
Scot Intl Fin 10⅛ 90	50	103⅛	[illegible]	[illegible]
Sears O/S Fin 0 98	500	34½	[illegible]	[illegible]
Sears O/S Fin 11⅝ 93	150	110⅛	[illegible]	[illegible]
Sears Roebuck 10½ 91	150	102⅛	[illegible]	[illegible]
Sec Pacific 10½ 88	100	101½	[illegible]	[illegible]
Shell (Canada) 14⅛ 92	125	109½	[illegible]	[illegible]
Shell Oil 9½ 90	250	102⅛	[illegible]	[illegible]
Standard Oil 10½ 89	150	100⅛	[illegible]	[illegible]
St Bk Sth Aust 9⅛ 93	100	98⅞	[illegible]	[illegible]
State Elec Vict 10 92	100	102½	[illegible]	[illegible]
Sth Aus Gov Fin 8⅞ 93	100	96⅛	[illegible]	[illegible]
Sumitomo Fin 11⅛ 92	150	109⅛	[illegible]	[illegible]
Sweden 8⅛ 94	150	95	[illegible]	[illegible]
Sweden 10⅛ 92	250	104⅞	[illegible]	[illegible]
Swedish Export 9⅛ 93	100	101	[illegible]	[illegible]
Swedish Export 11½ 89	100	104⅛	[illegible]	[illegible]
Taiyo Kobe 11⅞ 90	100	106½	[illegible]	[illegible]
Taiyo Kobe 12 90	100	108⅞	[illegible]	[illegible]
Tenneco Corp 11½ 89	150	102⅛	[illegible]	[illegible]
Tenneco Corp 10⅞ 95	150	101⅞	[illegible]	[illegible]
[illegible]				

	Issued	Bid price	Chg on week	Yield
Fanuc 3⅛ 98	80	254	+1	4.92
Fujitsu 3 99	100	145½	+0⅛	3.19
Gibraltar Savings 7½ 06	100	93⅞	0	28.19
ITT 4⅛ 87	50	104⅛	+2⅜	5.93
Kinder-Care Int 6⅛ 98	50	113⅞	−1⅛	96.66
Lorimar-Telepics 6 01	100	98⅞	0	93.70
[illegible]				

	Issued	Bid price	Chg on week	Yield
Pacific Gas & El 12 00	75	[illegible]	0	[illegible]
Penney J C 11⅞ 90	100	101⅛	−0⅛	11.17
Penney J C 12⅞ 91	100	107⅞	0	10.43
Pepsico Capital 8⅛ 91	100	100⅛	0	8.33
Petro-Canada 7⅛ 96	200	86⅞	−0⅛	9.49
Canon 3 00	100	122⅞	+1⅛	7.06
Citizen Watch 3 00	50	145⅛	0	6.88
Eastman Kodak 6⅞ 01	300	117⅞	−0½	11.77
Elders UK 5⅛ 98	175	127⅛	−0⅛	11.12
Morgan J P 11⅞ 90	16/8/87	103⅛	0	[illegible]
Nordic Inv Bank 7⅞ 96	30/10/91	53⅛	0	7.07
Westpac Bankg 12⅝ 92	31/1/90	110⅛	+⅛	9.76
WeyerhaeuserC 11½ 90	15/11/87	104⅛	0	7.43

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon. CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price. Closing prices on June 5.

UK COMPANY NEWS

Arthur Smith looks at Canning's transatlantic success

UK next for home healthcare

FEW entrepreneurs, taking over a traditional West Midlands metal-bashing company in the depths of recession, would have spotted the money-making connection to create a transatlantic enterprise out of silver refining, extracted teeth and dog's urine.

For David Probert, chairman and chief executive of W. Canning, established as drysalters in Birmingham in 1785, it has contributed to the creation of one of the fastest growing medical services groups in the US.

Medserv, set up 30 months ago with the acquisition of two dental laboratories in the US, now claims the largest chain in the world operating from 51 locations in North America and Mexico. It has extended into the burgeoning US home healthcare sector and now plans to introduce the concept to the UK.

With minimal investment by using its dental laboratories, Medserv is developing a US network of diagnostic laboratories to serve the 40,000 vets and 17,000 animal hospitals and clinics.

Medserv announced details this weekend of the proposed $70m purchase of a US medical services company that would push annual turnover to around $200m, with some 7,000 employees. Further deals are under discussion and turnover is projected to more than double to "at least $500m" by 1990.

But the very success of the US venture has posed problems for Mr Probert. Financing the rapid growth pushed US debt to £7.94m in the past financial year, accounting for around half group borrowings and raising gearing from 19 per cent to 84 per cent.

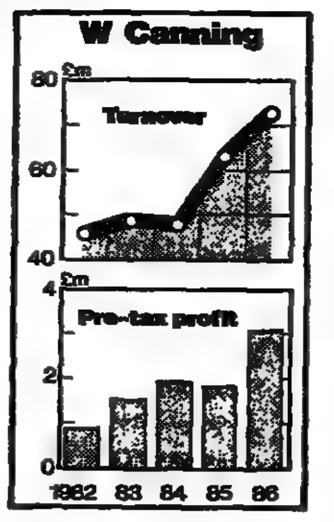
Probert, a chatty and colourful rather than dour accountant, feared his company could face the fate suffered by another West Midlands-based group, LCP, which was acquired by Ward-White for its growth motor components distribution business in the US, with the other operations being sold off.

The remedy he resolved—a private placing of Medserv shares in the US—he describes as "bittersweet." Bitter, he says, because no one likes to give up full control of an enterprise they have created. "Sweet," he adds with a chuckle, "because we shall make more money for our shareholders."

Under the deal, which is subject to shareholders' approval, Canning will reduce its equity holding in Medserv from 90 per cent to 40 per cent for $17.25m (£11.6m). The balance will be taken up by Medserv management and US-based institutional investors.

The move will increase Canning's net assets from £13m to £19m and put £5m cash in the bank—a position from which Probert says the group can review "a shopping list as long as your arm."

He concedes the lower shareholding will inevitably reduce Medserv's contribution to group profits in the current year, but argues this will be more than



compensated for in future years by the projected US earnings small price for future opporgrowth. "We are paying a tunities by this small dilution," he says.

Probert, who in the early 1980s applied drastic surgery to shut factories, shed jobs and pull out of process plants and engineering, sees future growth in areas related to the present three *high-added-value* core businesses: chemicals, precious metals and electronic components.

He sees opportunities in Europe: "In France, West Germany and perhaps Spain, there are a lot of nice companies that could offer us growth."

His five year targets he says is to see the market capitalisation of Canning, currently at around £40m, more than double in real terms to around £100m: "I think then we would be a proper international business."

For the outsider to attempt to forecast the pattern of growth might be impossible on the experience of the US venture. Probert bought the dental laboratories initially because they collected waste from dentists, including extracted teeth with silver and gold fillings suitable as raw material for John Betts, the Birmingham precious metals refiner.

The logic of the network of veterinary *laboratories is* that the same vehicles can collect animal blood, urine and other *samples for diagnosis.*

Dennis Sokol, the larger than life chief executive who with Probert has built up the Medserv business points out there are 100m cats and dogs in the US contributing to a $10bn a year business.

But it is the fast growth homecare business, which in the US grew, last year alone, from $5bn to $8bn, that he wants to bring to Britain. With people being discharged from hospital sooner Medserv provides the full range of medical equipment from intravenous drips to crutches and wheelchairs.

Sokol says he may seek a UK partner but aims to be in business in this country before the end of the year.

St Ives moves into packaging

By Steven Butler

St Ives, the book and magazine printing group, has fed its acquisition appetite again with the purchase of the packaging division of the Coloroll Group for £5.6m.

Coloroll Packaging manufactures and distributes some 160m plastic packaging bags annually for the retail industry. Profits attributable to the packaging division in the year to the end of March reached £685,000 on a turnover of £3.96m.

St Ives will be buying assets with a book value of £1.5m at the end of March, along with patents, licences and contracts.

The acquisition is St Ives first step out of the book and magazine printing business, and Mr Robert Gavron, chairman, said the group hoped to develop a significant packaging division.

The purchase is to be satisfied *in cash, with funds* raised by the issue of 782,191 new ordinary shares which N. M. *Rothschild has placed at 730p.* St Ives shares closed at 765p, up 15p, on Friday.

Delmar

An extraordinary surplus on disposal of properties of £86,000 has helped **Delmar Group** to lift its attributable profit from £340,000 to £454,000 in the year ended March 31, 1987.

Turnover of the group, a rubber and plastics fabricator and extruder, *rose* 7.5 per cent to £5.5m (£5.13m) while the profit improved by just over 3 per cent to £585,000 (£566,000).

Earnings came to 5.21p (4.81p) after tax of £217,000 (£226,000). The dividend is raised from 2p to 2.15p net.

LENDU HOLDINGS rubber production and investment) lifted earnings to 2.19p for 1986 0.15p) and raising dividend to 1.3p net 0.75p).

Merlin International in £38m cash call

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Merlin International Properties is seeking to raise £37.8m *by a rights issue of 6m ordinary* shares and 30m convertible preference shares.

The *finance raised* will be used to fund a link-up, announced last month, with *companies in Australia,* the US *and* the UK and to provide funds for the development of *speciality shopping centres.*

The shares will be offered in parcels, each one made up of *one ordinary share and five* convertibles, Merlin said. Two parcels will be offered for evry *five existing ordinary shares.*

Each parcel is worth 630p, made up o—f 130p for the one ordinary *and 100p each for the* convertibles.

The Merlin directors and one *other shareholder are not* taking up their entitlement of 3m parcels, but Citicorp Investment Bank, which has underwritten the issue, has placed the shares with institutions.

Merlin shares were suspended just before the link-up announcement at 225p, but it is hoped that trading *will ersume* on June 30, the day after an extraordinary general meeting called to approve the rights.

The convertible preference shares carry a dividend of 11.25 per cent. They can be converted into ordinaries between 1992 and 2002 at the rate of one ordinary for every 156p in nominal amount of the convertibles.

Merlin is linking with the Hayson Group of Australia and Enterprise Development Com*involved in speciality shopping* pany of the US, both companies projects. It is also buying Abbeygate, a *private* UK developer, whose founder, Mr Peter Jevans, becomes the *Merlin chief* executive.

British Aerospace

British Aerospace has again warned that foreign ownership of its shares, at 14.84 per cent on June 3, was approaching the trigger point of 15 per cent, after which holders of excess foreign-held shares are required to dispose of them

BAe's articles of association limit foreign ownership to 15 *per cent* in order to keep the company under domestic control.

William Morris losses cut

William Morris Fine Arts, sculpture castings and wallpaper manufacturer, substantially reduced its losses in 1986 from *£2.74m* to *£773,000*, on a turnover down from £11.44m to £8.04m.

The directors *said* four new ranges of wallpaper had been well received and sales of the two ranges already on the market had considerably exceeded expectations. The *company anticipated that* these new ranges, coupled with the traditional product would give *profitable volumes* over the remaining months of the year.

Sale of the Morris Singer *Foundry to Gamlestaden,* a private Swedish bank, for up to £1.5m cash has been agreed, subject to *shareholders'* approval. It was hoped that this, coupled with the efficient operations of the wallpaper division and aggressive efforts to increase sales volume, would enable the group to once again establish *itself* on a profitable basis.

The loss per share last year worked out at 2.42p (7.88p).

Bristol

The 1986 results of **Bristol** *Stadium have received a boost* from the completion of the Tesco store project, which has *led to an extraordinary credit* of £1.58m.

That meant the profit available *came to £1.67m, compared* with £41,000 a year earlier. The dividend is lifted from 1.2p to 1.4p net per share.

Turnover for 1986 amounted to £1.69m, up from £1.56m. Profit was £137,000 (£118,000), backed up by related companies £86,000 (loss £10,000). Tax charge was £130,000 (£87,000).

J. Jarvis rejects offer

J. Jarvis, the building group, has rejected the £7.5m cash bid from **Brookville Securities,** describing it as "inadequate and wholly unacceptable."

Brookville launched its £7.50 per share bid on Thursday after it took its shareholding to 32.76 per cent, thereby triggering a clause in the Takeover Code requiring it to make a full offer.

The company was formed by Mr Harvey Bard, a London property investor, who tried and failed to join the Jarvis board *in October.*

Mr David Beety, chairman of Jarvis, says "this is the latest in a number of attempts by Mr *Bard of Brookville to become* actively involved with Jarvis. The proposal fails to take account of our excellent prospects."

Mr Bard says he is disappointed but will proceed with the bid. Jarvis is being advised by Kleinwort Benson and Brookville by PK English Trust.

GT Global net assets up 22%

G.T. Global Recovery Invest*ment Trust's net asset value* at March 31 1987 was 22.2 per cent up at 227.9p (186.5p) on *a year before and 28 per cent* higher than at September 30 last.

Total income was down slightly from £1.27m to £1.24m but a sharp fall in interest payable, *£102,000* down at *£376,000,* was largely reflected in a rise from £465,000 to £505,000 in profits before tax.

Taxation took £164,790 (£147,066) leaving earnings per share of 3.4p (3.18p) for the dividend, increased from 2.5p to 3p with a recommended final of 2.25p.

Lucas completes US aerospace purchase

Lucas Industries, the automotive, aerospace and industrial *components group,* has had completed the acquisition for $88.3m cash of **Western Gear,** the aerospace *subsidiary of* the Wisconsin-based Becor Western.

The purchase price was more than the initially anticipated $79.5m, reflecting the value of Western Gear net assets ($83.8m) at the end of March.

Dr Alan Watkins, managing director of Lucas Aerospace, said: "This acquisition is the most significant step so far in Lucas Aerospace's international *development* in the US and Europe, and is the culmination *of 2 years' activity* which will see the company almost double in size."

Western Gear manufactures actuation systems, auxiliary gearboxes, helicopter transmissions, weapon rails, stores ejector units, cargo systems and electric motors, with the first quarter of 1987 showing sales of $45.5m and pre-tax profits of $4m.

The acquisition takes Lucas' total aerospace sales by US operations to over $260m.

Heavitree lifts profits by 13%

Heavitree Brewery reported a 13 per cent increase in pretax profits for the half year to April 30 1987, from £392,000 to £442,000.

The results reflect a slight improvement in margins—pre*tax to turnover—from 17.3 to* 18.5 per cent for turnover was up by £135,000 over the *corresponding period of the* previous year to £2.4m (£2.26m)

The trading loss of a subsidiary was *£16,000 (£1,000* profit) and the share of loss of associated company was £1,000 (*£10,000* profit).

The interim dividend is raised from 2p to 2.4p; last year's total payment was 11p.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The *dates shown are those of last year's announce*ments except where the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be *at the amounts in the column* headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
*Allied Colloids	June 10	Final 1.8	*Johnson Matthey	June 18	Final 2.0
*Amersham International	June 8	Final 4.56	London Intl	June 19	Final 3.1
Argyll Group	June 24	Final 5.1	*Metal Box	June 9	Final 12.9
*BPB	June 25	Final 5.5	*Meyer Intl	June 16	Final 3.8
*BT	June 18	Final 4.8	*Northern Foods	June 16	Final 3.75
Beecham	June 11	Final 6.9	*Pilkington	June 10	Final 8.5
Birmid Qualcast	July 1	Interim 1.25	*Racal Electronics	June 23	Final 2.288
*British Gas	June 17	Final due	*Reed Intl	June 3	Final 16.0
British Land	June 18	Final 2.0	Rothmans Intl	June 24	Final 4.5
Cable and Wireless	June 25	Final 6.9	Rothschild (J.)	July 1	Final 12.8
Charter Cns	June 25	Final 7.75	Scot and Newcstl Breweries	July 1	Final 4.82
*Coalite	June 2	Final 5.5	*Sketchley	June 2	Final 12.8
Daily Mail and Genl Tst	July 10	Interim 16.0	*Storehouse	June 2	Final 5.7
*De La Rue	June 3	Final 24.75	*TSB	June 25	Interim due
*Ferranti	July 1	Final 1.15	Thorn EMI	July 10	Final 12.5
*Great Portland Estates	June 10	Final 4.6	Trusthouse Forte	July 1	Interim 1.33
Greycoat	June 25	Final 1.25	*Unigate	June 9	Final 8.25
Guinness	June 16	Interim 2.24			
Hogg Robinson	July 8	Final 5.23			

* *Board meeting intimated.* † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

FINANCIAL TIMES STOCK INDICES

	June 5	June 4	June 3	June 2	June 1	May 29	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs.	92.15	91.81	92.86	92.47	92.49	92.43	93.32	84.49	127.4	49.18
Fixed Interest	98.01	98.24	98.21	98.33	97.99	98.06	98.54	90.23	150.4	50.53
Ordinary	1729.9	1724.6	1739.6	1724.3	1730.7	1712.1	1739.6	1320.2	1739.6	49.4
Gold Mines	398.3	389.0	389.7	380.2	378.6	388.6	485.0	288.2	734.7	43.5
FT-Act All Share	1109.93	1103.11	1111.82	1106.63	1108.80	1097.29	111.820	835.48	111.820	61.92
FT-SE 100	2228.8	2214.2	2235.4	2219.6	2228.2	2203.0	2235.5	1674.5	2235.4	986.9

UK COMPANY NEWS

James Buxton on the surgery being applied to Lilley

A tough bedside manner

LAST OCTOBER a drive by F. J. C. Lilley, the Glasgow-based construction company, to diversify into overseas construction markets came to a juddering halt. In a few days of confusion the company postponed announcing its interim results, was obliged to request the suspension of share dealings, and then disclosed a loss of more than £24m for the six months to July 1986.

At that point the company's 13 creditor banks extended credit lines to Lilley only until December in order to force it to take drastic action, realising that it urgently required the services of a company doctor.

Shortly before Christmas, following an initial approach by the Bank of England, Mr Lewis Robertson, a 64-year-old Scot, took over as chairman and brought in a new chief executive, Mr Joe Barber. The former chairman, Mr Campbell White, resigned and the previous chief executive, Mr Douglas Neill, retired.

Mr Robertson is almost a professional company doctor. An accountant by training, since he retired in 1981 from being the first chief executive of the Scottish Development Agency he has led the rescues of both the engineering group Triplex and the meat processing company Borthwick. The term company doctor suits him well.

Mr Robertson is currently applying drastic surgery to Lilley. The company began seeking large overseas contracts in the mid-1970s, believing that it was too dependent on UK public sector work.

After experiencing a little of the construction boom in the Middle East it decided in the early 1980s to enter the US market, buying 80 per cent of Harrison Western, a Denver-based company specialising in shaft sinking and tunnelling. It also acquired J. W. Cowper, a building company based in Buffalo.

Lilley envisaged Harrison Western growing to match in size the UK activities of Lilley, and Mr Allan Provost, the US company's chairman and chief executive, received very substantial commitments of finance from the parent company. In the year to January 1987 the US accounted for £106m out of total group turnover of £331m.

Harrison Western, however, became the major source of Lilley's problems. It ran into technical difficulties on a number of contracts, some of which it had underbid in the US construction recession of 1984. On one of them, a tunnelling contract in Milwaukee, it lost $15m.

These problems might have been avoided or contained had Lilley established procedures for obtaining information and exercising control which Mr Robertson thinks should be normal for a company with overseas subsidiaries.

As it was, he says, the members of the Lilley board were "the last to know" what was going on as the crisis built up last summer. They had previously been comforted by pre-tax profit for 1985-86 of $9.5m.

But some of this, Mr Robertson says, existed only on paper and never flowed into the parent company's bank account. In his annual report to shareholders, Mr Robertson refers to the 1985-86 profits as "reported."

The treatment for Lilley is now well underway. Messrs Robertson and Barber have been joined by Mr James Armstrong as finance director: he was previously finance director of HAT Group where he had experience of extracting the company from a disastrous property investment in the US.

The new Lilley team's first step was to begin to reduce the company's debt — which reached a peak of £57m last year—by selling off UK subsidiaries in peripheral activities such as quarrying and plant hire. Net borrowing was down to £32m by the beginning of May.

The new management decided to concentrate what it believes to be all the shocks for shareholders, bankers and issuers of performance bonds into one heavy blow.

Whereas the previous management stated, when the company's share quotation was resumed last October, that the first-half loss of £24.48m would be the limit of the red ink and that the company would return to profit in the second half, Lilley last month announced a loss of £50.4m. Before exceptional items the loss came to £10.72m (with overseas losses of £13.5m, mainly from the US, being offset by profits on UK activities).

On top of that Lilley decided to write off £24.6m in the US and pull out of a contract to build barracks in Algeria, at a cost of £11m, rather than risk further losses. Provision for bad debts and bank refinancing charges took another £4.4m and there was no dividend.

Mr Lewis Robertson, chairman of Lilley

The next stage is to dispose of its US interests. J. W. Cowper is up for sale and arrangements are being made to put Harrison Western on the market. Lilley values its assets in the US at about $35m. If these sales could be successfully completed this year it might be possible, along with the gradual reduction of debt through cash flow, to get borrowing down to about £10m.

At that point Lilley might ask its shareholders to subscribe to a rights issue. They have seen their funds reduced from £59m to £18m in the past year with the wiping out of the company's reserves, though on Wednesday they are to be asked to approve the cancellation of a £14.8m share premium account to offset the accumulated deficit of £18.06m on the profit and loss account.

That would mean that the company only has to achieve relatively small pre-tax profits this year to resume paying a dividend, which is what Mr Robertson hopes to do.

He and Mr Barber believe these measures — coupled with an eventual withdrawal from other foreign operations in Hong Kong and Egypt when contracts are completed — will leave Lilley with a balance sheet strong enough to support the company in its eventual form: that of a construction company operating only in the UK.

It will consist of Lilley's four man UK subsidiaries, Lilley Construction, Melville Dundas and Whitson, Robison and Davidson, and Eden Construction: all well regarded companies operating in England and Scotland, currently performing satisfactorily with total turnover amounting to about £150m.

Both Mr Robertson and Mr Barber agree that this may be an unglamorous prospect. But they think Lilley is too small to operate on the far-flung scale of the past, and they question whether much glamour attaches to the kind of losses it was making. Shareholders, who saw the price of their shares plummet from about 65p to 24p last year before rising to around 47p where they now stand, are likely to agree.

Scapa's agreed bid for Rotunda

Scapa, the industrial holdings group, has agreed a £14.2m offer for Rotunda, the manufacturer of specialist adhesive tapes.

Scapa is offering 196p cash for each Rotunda ordinary share. On Friday Rotunda shares closed 44p up at 190p, while Scapa gained 6p to 290p.

Mr Ray Goodall, Scapa chairman, said that Rotunda's activities would complement Scapa's industrial textile business, creating a division with combined turnover of £16-17m.

Rotunda's taxable profits for 1986 were £1.01m on turnover of £11.3m, ahead of the £875,000 forecast when the company was floated on the USM in March last year.

Mr Goodall said the acquisition would reduce the share of Scapa's profits derived from the US to 50 per cent, rather than the 58 per cent when interim profits of £29.2m were announced last December.

FT Share Information

The following securities have been added to the Share Information Service: Burford (Section; Property) Cooper (A.) Hldgs. Industrials) Filofax (Paper, Printing) Murray Ventures Warrants (Investment Trusts) Perpetual (Trusts, Finance Land) Stoddard (Hldgs) (Ord) (Textiles) Waste Management (Americans) Wickes 5½ per cent Sub Cnv Uns Ln (Drapery and Stores).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Durban Roodepoort Deep, East Rand Proprietary Mines.

Finals: Amersham International, Blyvooruitzicht Gold Mining, Electronic Rentals, F. and C. Alliance Investment, Great Western Resources, Hazlewood Foods, Investment Company, Millward Brown, Northumbrian Fine Foods, Osborne and Little, Prontaprint, Sanders and Sidney, Yellowhammer, York Mount.

FUTURE DATES

Interims:

Camford Engineering	June 10
Fenner (J. H.)	June 16
Watson and Philip	June 16

Finals:

Brown Shipley	June 12
Dominion International	June 15
Leigh Interests	June 24

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JUNE 5 1987					THURSDAY JUNE 4 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	133.34	+0.4	121.20	124.03	3.15	132.81	121.24	123.62	140.95	99.92	91.10
Austria (16)	87.70	+0.1	79.72	82.51	2.27	87.57	79.95	82.61	101.62	85.94	83.92
Belgium (47)	115.82	+1.2	105.28	107.54	4.42	114.41	104.45	106.51	123.62	96.19	77.81
Canada (129)	126.42	-0.2	114.92	122.99	2.42	126.70	115.66	123.03	136.17	100.00	98.75
Denmark (39)	117.93	+0.2	107.20	109.47	2.51	117.67	107.43	109.47	124.10	98.18	98.65
France (122)	108.87	-0.6	98.96	103.57	2.65	109.53	99.99	104.42	121.82	98.39	77.58
West Germany (90)	90.76	-0.3	82.50	85.57	2.17	91.08	83.15	86.11	100.33	84.00	81.60
Hong Kong (45)	116.66	+1.3	106.04	116.92	2.88	115.19	105.16	115.45	116.66	96.89	69.48
Ireland (14)	128.69	+1.1	116.98	122.77	3.53	127.24	116.15	121.75	131.86	99.50	82.85
Italy (76)	99.18	+0.6	90.16	97.26	1.85	98.58	90.00	96.96	112.11	94.76	87.41
Japan (458)	154.34	-0.3	140.29	140.29	0.47	154.81	141.32	141.15	161.28	100.00	77.06
Malaysia (36)	172.21	-0.2	156.54	165.56	2.29	172.55	157.53	166.09	172.55	98.24	76.12
Mexico (14)	205.25	+1.4	186.57	288.02	0.76	202.32	184.70	283.48	205.25	99.72	49.52
Netherland (38)	115.80	+0.1	105.27	107.98	4.09	115.73	105.65	108.26	120.14	99.65	89.45
New Zealand (27)	94.69	+1.2	86.07	86.88	3.07	93.54	85.40	86.13	100.59	83.93	68.30
Norway (24)	139.17	-0.6	126.51	126.99	1.98	139.97	127.78	127.81	139.97	100.00	97.07
Singapore (27)	144.43	+1.1	131.29	140.55	1.73	142.90	130.46	139.31	144.43	99.29	71.11
South Africa (61)	157.77	+2.5	143.41	116.93	3.35	153.90	140.50	117.04	186.74	100.00	76.54
Spain (43)	112.80	-0.7	102.54	108.02	3.77	113.60	103.70	108.95	121.31	100.00	82.73
Sweden (33)	112.59	+0.2	102.35	105.34	2.19	112.38	102.59	105.39	124.68	90.85	89.51
Switzerland (51)	93.42	+0.3	84.92	87.05	1.97	93.12	85.01	86.97	104.06	92.53	81.83
United Kingdom (337)	144.91	+1.1	131.72	131.72	3.20	143.37	130.88	130.88	148.66	99.65	97.92
USA (596)	120.26	-0.4	109.32	120.26	3.00	120.78	110.26	120.78	124.06	100.00	102.63
Europe (930)	118.11	+0.5	107.36	109.86	2.89	117.54	107.31	109.70	121.61	99.78	88.74
Pacific Basin (687)	152.12	-0.2	138.28	138.77	0.62	152.48	139.20	139.51	158.30	100.00	77.29
Euro-Pacific (1617)	138.56	+0.0	125.95	127.24	1.40	138.54	126.48	127.62	143.22	100.00	81.81
North America (725)	120.59	-0.4	109.62	120.43	2.97	121.09	110.54	120.92	124.60	100.00	102.42
World Ex. US (1821)	138.38	+0.0	125.78	130.05	1.45	138.33	126.28	130.13	143.09	100.00	82.33
World Ex. UK (2080)	129.95	-0.3	118.13	124.00	1.87	130.29	118.95	124.56	133.33	100.00	89.57
World Ex. So. Af. (2356)	131.11	-0.2	119.18	124.75	2.00	131.31	119.88	125.18	133.85	100.00	90.36
World Ex. Japan (1959)	120.33	+0.0	109.38	116.93	2.94	120.37	109.88	117.12	121.81	100.00	96.60
The World Index (2417)	131.29	-0.1	119.34	124.72	2.01	131.46	120.01	125.14	134.11	100.00	90.28

Base values: Dec 31, 1986 = 100

Latest prices unavailable for this edition.

CONSTITUENT CHANGE: River and Mercantile Trust has been deleted (United Kingdom).

EUROPEAN OPTIONS EXCHANGE

Series		Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	Stock
GOLD C	$440	200	29.50	7	43	—	—	$454.60
GOLD C	$460	140	18.60	12	33	10	42	"
GOLD C	$480	39	11.50A	9	22.50	—	—	"
GOLD C	$500	309	7	30	15.80	18	26	"
GOLD P	$400	22	1.90	—	—	—	—	"
GOLD P	$460	101	18.50	—	—	—	—	"

TOTAL VOLUME IN CONTRACTS: 23,369

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	10
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equat'r'l Tst C'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williamson Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	Trustee Savings Bnk	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Westpac Bank Corp	9
Bank of Scotland	9	● Guinness Mahon	9	Whiteaway Laidlaw	9½
Banque Belge Ltd	9	HFC Trust & Savings	9	Yorkshire Bank	9
Barclays Bank	9	● Hambros Bank	9		
Benchmark Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	C Nat Credit Corp. Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or -	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§152	F.P.	—	177	155	B.D.A. Hldgs. 10p.	166	......	L2.5	3.70	2.1	18.2
§77	F.P.	—	112	90	Barrett (Henry) 10p	111	-1	R2.81	2.2	3.5	17.6
§77	F.P.	30/6	107	96	♦Bonded Laminates 10p	105	......	L2.4	2.4	3.1	18.4
§115	F.P.	[illegible]	172	139	Brooks Service Group	162	-1	L3.8	2.2	3.1	17.8

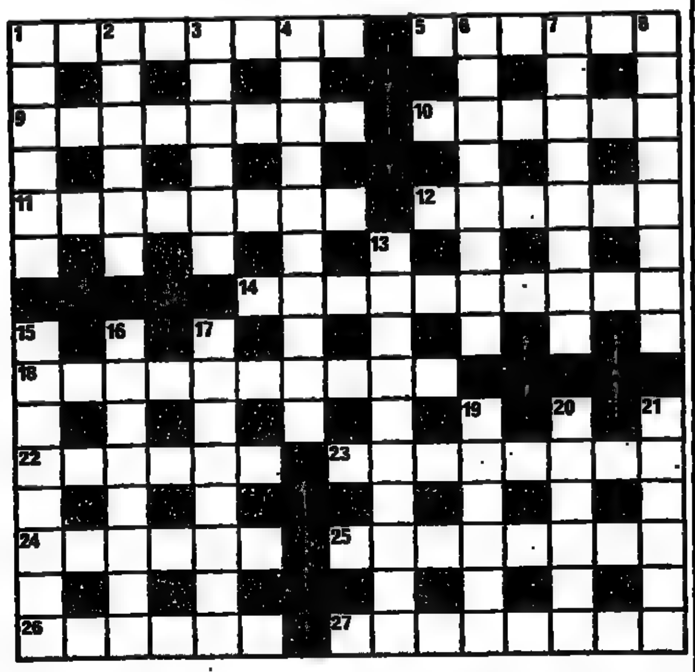
FIXED INTEREST STOCKS

"RIGHTS" OFFERS

Renunciation date usually last day for dealing free of stamp duty. [illegible] on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures ‡ Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." § ‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ♦ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. ‡ Placing and offer for sale price.

FT CROSSWORD PUZZLE No. 6,346

TANTALUS



ACROSS

1 Monkey sees chap with tool (8)
5 Edinburgh graduate's talisman? (6)
9 Set off for appointment entertaining school (8)
10 Number one seaman retires with allotment (6)
11 NCO agrees to distribute set of books (8)
12 Master organised division of pupils (6)
14 Scholar returns with answer to get remission (10)
18 Possibly it's true lad can make a chirping noise (10)
22 Charon repaired device for retaining ship (6)
23 Personal assistant learnt somehow to be fatherly (8)
24 American state detailed a South Asian native (6)
25 Almost begin with fish but have bird (8)
26 One-time RAF officer working on a farm? (6)
27 In favour of half glasses providing a wide view (8)

DOWN

1 Strange shape amused one of the Gorgons (6)
2 Second before this becomes an ingrained habit! (6)
3 Foreigner loses good man—a park officer (6)
4 By the sound of it, there's news of a vessel (6, 4)
6 A tin so made for a plant (8)
7 Cartier and I changed standards (8)
8 Holding principle accepted by males (8)
13 Agreement to a party? Just the opposite (10)
15 Try first to read Lamb for instance (8)
16 Went before—before yield reached 500 (8)
17 Recommend one who defends a cause (8)
19 Ambassador has a right to start second suit (6)
20 In a moment I reckon to get total (6)
21 An affront, but it's trifling (6)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2060

American Growth	105.2	112.2xd	+0.2	1.13
(Accum Units)	110.2	116.4xd	+0.2	1.13
British Blue Chip Fund	50.1	53.8	+0.2	2.35
(Accum Units)	50.1	53.0	+0.2	2.35
American Sm Cos Fd	48.7	51.9	-0.3	0.47
(Accum Units)	48.7	51.9	-0.3	0.47
American Income	50.0	52.9	+0.1	5.04
(Accum Units)	54.6	57.7	+0.1	5.04
European Growth	136.2	144.1	-0.5	0.84
(Accum Units)	140.9	149.1	+0.5	0.84
European Income	79.3	83.7	+0.2	3.56
(Accum Units)	81.3	86.0	+0.2	3.56
General	350.8	371.2	+0.5	2.10
(Accum Units)	582.6	616.5	+0.8	2.10
Gilt	90.2	90.6xd	-0.1	7.21
(Accum Units)	107.4	107.9xd	-0.1	7.21
Global Fund	48.9	51.7	—	0.70
(Accum Units)	48.9	51.7	—	0.70
High Interest Fund	47.4	50.1	—	8.91
(Accum Units)	47.4	50.1	—	8.91
High Income Fund	49.8	52.6	+0.1	4.99
(Accum Units)	50.9	57.5	+0.1	4.99
Income	113.6	120.2xd	+0.3	3.40
(Accum Units)	130.3	137.8xd	+0.3	3.40
International	295.3	312.4	-0.7	1.34
(Accum Units)	367.6	388.9	-0.1	1.34
Japan	232.9	246.4	-3.1	0.72
(Accum Units)	239.0	252.9	-3.2	0.72
Pacific Fd	52.9	55.9	-0.5	0.10
(Accum Units)	52.9	55.9	-0.5	0.10
Recovery	286.8	309.4xd	+0.4	2.18
(Accum Units)	311.8	329.9xd	+0.5	2.18
UK Smaller Co's Fd	49.5	52.5	—	1.91
(Accum Units)	49.5	52.3	—	1.91
Exempt May 27	344.6	353.4	+16.3	2.19
(Accum Units)	539.8	553.4	+25.6	2.19

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ 0707 45184

UK Income Fund	57.5	61.1	—	4.92
Accum Units	57.5	61.1	—	4.92
UK Growth Fund Acc	58.8	62.5	-0.1	1.65
Global Income Fund	49.9	53.0	+2.3	3.77
Accum Units	49.9	53.0	+1.5	3.77
Global Growth Fund	47.8	50.8	-0.3	0.49

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn Link Line 0800 010345

Holborn Comm Tst	72.5	76.7	—	0.40
Holborn Equity Income	65.6	69.4xd	+0.3	3.71
Holborn Equity Tst	551.1	583.1	+1.5	2.32
Holborn European Tst	111.1	117.5xd	+0.7	0.71
Holborn Gilt Tst	214.0	222.9	-0.1	2.14
Holborn High Inc Tst	82.5	87.2	+0.1	4.95
Holborn Intl Grth Tst	115.8	122.5	+0.5	0.71
Holborn Japanese Tst	135.2	143.0	—	0.06
Holborn N. Amer. Tst	87.6	93.6xd	+0.6	0.52
Holborn Sm Cos Tst	71.5	75.6xd	—	1.54
Holborn Spec Sits Tst	94.0	99.4	—	1.47
Holborn UK Growth Tst	110.9	117.3	+0.1	1.60

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	625.1	661.5	+7.7	1.66
Quadrant Income	321.4	340.3	+3.3	4.21
Quadrant Intl. Fund	432.6	457.8	+14.6	1.10
Quadrant Spec. Sits	404.9	428.5	+0.1	1.53

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	229.6	244.1	-0.1	2.32
Reliance Unit Tst (Inc)	153.5	163.2	+0.2	1.98
Reliance Uk Tst (Acc)	206.5	219.6	+0.3	1.98

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Interest Growth Trust	48.8	51.3	-0.1	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2981/4

NC America (Inc)	340.4	350.2	—	0.83
NC America (Acc)	339.0	360.6	+0.1	0.83
NC Inc Fd	118.2	125.7xd	+0.1	0.3
NC Japan Fd	219.5	233.5	-0.2	—
NC Major UK Cos Fd	68.3	72.6	+0.2	1.63
NC Smlr Australasian	85.0	90.6	-0.6	0.48
NC Smlr Canadian CoFd	47.5	50.5	—	—
NC Smaller Cos	217.6	231.8	+0.7	0.97
NC Smaller European	194.9	207.3	+1.2	0.45
NC Prop.*	159.1	169.5	—	(z)

*Unauthorised Unit Trusts

Standard Life Trust Mgmt. Ltd
3 George St, Edinburgh EH2 2XZ

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham

Sun Life of Canada Unit Mgrs Ltd
Basingview, Basingstoke, Hants

Sun Life Trust Mgmt. Ltd
101, Cannon St, London EC4N 5AD

INSURANCES

contd. on next Page

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.
Pension Fund Prices

Managed Int.	321.1	....	—
Do. Accum.	397.5	....	—
Property Int.	240.7	....	—
Do. Accum.	297.3	....	—
Equity Int.	412.6	....	—
Do. Accum.	500.8	....	—
Gilt-Edged Int.	239.0	....	—
Do. Accum.	291.2	....	—
Guaranteed Int.	157.1	....	—
Do. Accum.	191.5	....	—
International Int.	502.7	....	—
Do. Accum.	619.5	....	—
Index Lk. Gilt Int.	139.9	....	—
Do. Accum.	170.4	....	—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	298.3	+0.3	—
Property Pens.	392.1	+0.5	—
Equity	184.3	-1.2	—
Equity Pens.	832.4	-8.9	—
Money Market	314.0	-3.3	—
Money Mkt. Pens.	559.9	-5.8	—
Deposit	235.2	+0.1	—
Deposit Pens.	372.9	+0.2	—
Managed	279.1	-1.0	—
Managed Pens.	532.3	-2.6	—
Intl. Equity	332.0	+1.3	—
Do. Pens.	528.8	+3.2	—
Intl. Managed	303.8	+0.7	—
Do. Pens.	446.0	+1.4	—
North American	125.9	+1.8	—
Do. Pens.	143.2	+3.0	—
Far East	295.9	+4.4	—
Do. Pens.	428.6	+6.6	—
Intl. Currency	175.4	+0.3	—
Do. Pens.	230.0	+0.4	—
Index Linked	132.2	+0.9	—
S & C Managed Fd.	138.9	+0.4	—
S & C Pens Magd Fd	112.4	+0.5	—
Trustlink Life Funds			
Per Worldwide Rec.	156.7	+1.3	—
Per Far East Growth	187.0	+1.0	—
Per Intl Growth	148.7	+0.9	—
Per Income	161.5	+1.7	—
Per Emerging Co's	156.9	+0.0	—
Per American Growth	140.5	+0.9	—
Per European Growth	120.0	+0.1	—
Fra American & Gen	118.1	+1.1	—
Fra Capital	165.2	-.7	—
Fra Income	171.8	+0.2	—
Fra Intl Growth	130.0	+0.9	—
Fra Japan & Gen	177.9	+1.2	—
Fra Recovery	180.7	+1.0	—
Fra Convertible & Gilt	137.4	+1.1	—
Fra European	125.3	+0.3	—
GAR American	125.0	+0.8	—
GAR European	151.8	-.2	—
GAR Far Eastern	182.5	+2.1	—
GAR British	171.6	+1.0	—
GAR Global	163.4	+0.6	—
GAR Special Situations	185.9	-.7	—
GAR Smaller Co's	195.6	+1.0	—
GAR Australian	165.4	+2.4	—
HEN Managed	168.5	-.2	—
HEN UK Growth	169.9	+4.4	—
HEN UK Income	171.1	+4.2	—
HEN American	129.8	-.2	—
HEN Far East	180.0	+2.5	—
HEN European	165.8	-.3	—
HEN Prime Res Prop	102.4	+0.0	—
TSB American	135.1	+2.0	—
TSB General	176.2	+0.0	—
TSB Managed	154.5	+0.4	—
TSB Pacific	188.4	+3.2	—
TSB Selected Opps	172.0	-.3	—
FID American	112.6	+0.5	—
FID Japan	121.0	+1.3	—
FID European	118.4	+0.8	—
FID UK	135.9	+2.5	—
FID Pacific	140.8	+1.0	—
FID Intl Managed	125.4	+0.2	—
FID Int. Income	117.8	+0.2	—
FID Intl Spec Sits	137.0	+0.4	—

Municipal Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690553

Initial Equity	157.5	166.0	+0.0	—
Initial Managed	146.0	154.5	+0.5	—
Initial International	147.0	155.0	+1.5	—
Initial Property	97.0	103.0	....	—
Initial Manifund	108.0	114.5	....	—
Initial European	114.0	120.5	+0.0	—
Initial Five Star	125.0	132.0	....	—
Initial American	103.5	109.5	+1.0	—
Initial World Invest	108.0	114.0	+0.8	—
Initial Emerg. Mkts.	97.5	103.5	+0.5	—
Accum. Equity	194.5	205.0	+0.0	—
Accum. Managed	183.0	193.5	+1.0	—
Accum. Intl.	170.0	179.5	+2.0	—
Accum. Property	108.0	114.5	....	—
Accum. Manifund	119.0	125.5	....	—
Accum European	119.0	126.0	....	—
Accum Five Star	133.5	141.0	....	—
Accum. American	107.5	114.0	+1.5	—
Accum World Investment	110.0	116.0	+0.5	—
Accum Emerg Mkts	98.0	104.0	+0.5	—
Pens. Init. Equity	188.5	199.0	+0.5	—
Pens. Init. Managed	146.5	155.0	+1.0	—
Pens. Init Intl.	160.5	169.0	+2.5	—
Pens. Init. Property	120.5	127.5	....	—
Pens. Init. Manifund	116.5	123.0	....	—
Pens. Init. European	122.0	128.5	....	—
Pens. Init. Five Star	140.0	147.5	....	—
Pens. Init. American	107.5	113.5	+2.0	—
Pens Init World Inv.	113.0	119.5	+0.5	—
Pens.Init Emerg Mkts	98.5	104.0	....	—
Pens. Acc. Equity	220.0	232.0	+0.5	—
Pens. Acc. Managed	171.0	180.5	+1.0	—
Pens. Acc. Intl.	183.5	193.5	+3.0	—
Pens. Acc. Property	132.0	139.5	....	—
Pens. Acc. Manifund	128.0	135.5	....	—
Pens Acc European	127.5	135.0	....	—
Pens Acc Five Star	148.0	156.0	....	—
Pens Acc American	111.5	118.0	+2.0	—
Pens. Acc. World Invest.	114.0	122.0	+1.0	—
Pens Accum Emerg Mkts.	99.0	105.0	+0.5	—

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds				
Managed Fund	56.1	59.1	+0.1	—
Stock Market Magd Fund	57.1	60.2	....	—
Equity Fund	62.4	65.7	....	—
International Fund	53.0	55.8	+0.2	—
European Fund	54.4	57.3	+0.2	—
North American Fund	48.3	50.9	+0.4	—
Pacific Fund	65.6	69.1	-0.2	—
Property Fund	50.5	53.2	....	—
Fixed Interest Funds	51.3	54.1	....	—
Index Linked Sec Fund	47.3	49.8	....	—
Deposit Fund	50.5	53.2	....	—
NUAM Retirement Plans				
Mixed Fund	59.1	62.3	....	—
UK Ordinary Share	69.5	73.2	-0.6	—
International Fund	54.4	57.3	+1.0	—
Property Fund	51.3	54.1	....	—
Fixed Interest Fund	52.6	55.4	-0.4	—
Index Linked Sec Fund	47.0	49.5	+0.2	—
Deposit Fund	52.2	55.0	+0.1	—
NUAM (MF)				
Managed Fund	764.8	805.1	+0.5	—
Equity Fund	1652.7	1739.7	....	—
Property Fund	313.8	330.4	....	—
Fixed Interest Fund	377.9	397.8	....	—
Deposit Fund	205.9	216.8	....	—
International Fund	137.3	144.6	+0.4	—
Index Linked Sec Fund	47.2	49.7	-0.1	—

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200
Pensionvestor* & Unit-Linked Plan*

Fixed Interest Fund	265.6	279.5	....	—
Index-Linked Sec Fund	133.2	140.3	....	—
Ordinary Share Fund	507.1	533.7	....	—
International Fund	136.6	143.7	....	—
Property Fund	160.2	168.6	....	—
Deposit Fund	163.4	172.0	....	—
Mixed Fund	328.7	346.0	....	—
Norwich Units March 16	897.8			

*Prices as at June 2.

Pearl Assurance (Unit Funds) Ltd
252 High Holborn, London WC1V 7EB 01-405 8441

Prop. Dist. (Gross)(z)	141.1	148.6	+0.3	—
Prop. Acc. (Gross) (z)	221.0	232.7	+0.5	—
Equity (Gross) (z)	725.0	763.3	-5.4	—
Managed (Gross) (z)	493.5	519.5	-3.0	—
Prop. Acc. (Net) (z)	101.93	107.3	+0.2	—
Equity (Net) (z)	155.3	163.5	-1.1	—
Managed (Net) (z)	142.6	150.2	-0.8	—
Internat'nal (Net) (z)	134.8	141.9	-0.5	—
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1) (z)	468.1	492.8	-0.3	—
Ret Man (Series 2) (z)	158.8	167.2	-0.1	—
Ret Cash (z)	112.5	118.4	....	—

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
12Dec	12Jun	Treas. 10pc 1987	100⅛	18.12	9.99	8.88
14Jan	14Jly	Treas 3pc 1987	99[illegible]	8.12	3.01	7.50
30Ap	30Nov	Treas. 12pc 1987	102[illegible]	29.9	11.84	8.36
26 Jul	26 Jan	Treas 7¼pc 1985-88	99[illegible]	22.12	7.70	8.45
10Nov	10May	Exch 10½pc '88	101[illegible]	6.10	10.33	8.54
14Dec	14Jun	Treas 9¾pc Cv '88	101[illegible]	18.12	9.65	8.58
1Jan	1Jly	Transport 3pc '78-88	96[illegible]	26.5	3.11	6.51
25 Apr	25 Oct	Treas. 9½pc '88	100[illegible]	18.9	9.40	8.65
22 Aug	22 Feb	Treas 11½pc 1989	104[illegible]	16.1	11.03	8.74
18 Oct	18 Apr	Treas 9½pc Cnv 1989	101[illegible]	11.9	9.39	8.75
15May	15May	Treas 3pc 1989	94[illegible]	9.10	3.19	6.26
14Dec	14Jun	Treas 10½pc 1989	103[illegible]	18.12	10.18	8.73
1Feb	1Aug	Exch 10pc 1989	102[illegible]	29.12	9.78	8.82
29 Mar	29 Sep	Exch 11pc 1989	104[illegible]	26.8	10.53	8.79
15 Apr	15 Oct	Treas 5pc 1986-89	95[illegible]	8.9	5.26	7.33
15 May	15 Nov	Exch 10½pc Cv '89	106[illegible]	9.10	9.99	7.09
15 Jan	15 Jul	Treas 13pc 1990	109[illegible]	9.12	11.85	8.73
12 Aug	12 Feb	Exch 11pc 1990	105[illegible]	[illegible]	10.46	8.78
22 Sep	22 Mar	Exch 12½pc 1990	108[illegible]	18.8	11.47	8.79
8 Nov	8 May	Treas 3pc 1990	92[illegible]	2.10	3.29	6.40
15 Dec	15 Jun	Treas 8¼pc 1987-90	99[illegible]	18.12	8.28	8.39
25 Apr	25 Oct	Treas 10pc Cv 1990	103[illegible]	18.9	9.67	8.79
22 May	22 Nov	Exch 2½pc 1990	88[illegible]	16.10	2.82	6.17
10 Jly	10 Jan	Treas 11¾pc 1991	108[illegible]	4.12	10.80	8.83
5Oct	5Apr	Funding 5¾pc '87-91	94[illegible]	1.9	6.07	7.34
13 Nov	13 May	Treas 3pc 1991	88[illegible]	—	3.40	6.39
12Jan	12Jly	Treas 10pc Cv '91	108[illegible]	8.12	9.20	7.47
25Apr	25Oct	Exch 11pc 1991	107[illegible]	18.9	10.22	8.83
22Jy	22Jan	Treas 12¾pc 1992	114[illegible]	16.12	11.15	8.89
21Aug	21Feb	Treas 10pc 1992	104[illegible]	25.1	9.54	8.85
13Oct	13Apr	Treas 8pc 1992 (£50pd)	47	—	8.15	8.47
7 Nov	7 May	Treas 10½pc Cv 1992	106[illegible]	10.10	9.88	8.87
Five to Fifteen Years						
25 Feb	25 Aug	Exch 12¼pc '92	113[illegible]	19.1	10.81	8.99
22Mar	22Sep	Exch 13½pc 1992	118[illegible]	18.8	11.40	9.02
15Oct	15Apr	Treas 10pc 1993	104[illegible]	8.9	9.54	8.91

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

FOREIGN BONDS & RAILS—Contd

AMERICANS

Continued on next page

Money Market Bank Accounts

Royal Bank of Scotland plc
42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201

Premium Account	7.87	5.90	8.29	Qtr

Save & Prosper/Robert Fleming
28 Western Rd, Romford RM1 3LB. 0708 66966

H.I.B.A.	7.84	5.90	8.32	Daily

Tyndall & Co
29-33 Princess Victoria St, Bristol 0272 732241

Demand Acc.	8.45	6.35	8.91	Qtr
Money Acc.	8.30	6.23	8.76	Qtr
Cheq Plus Acc.	8.37	6.30	8.83	Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

Special Acc.	8.00	6.00	—	Mth
£10,000 and above	8.25	6.21	—	Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 5E 0752 224141

High Int Chq Acc.	8.81	6.63	9.30	Qtr

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1A 7AE. 01-606 9485

High Int Cheque Acc.	9.75	7.34	10.13	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

Money Market Trust Funds

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. † Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

LONDON SHARE SERVICE

AMERICANS—Continued

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Anglo-Dominion	107	—	—	—	—
—		♦Colby Res Corp.	64	—	—	—	—
Aug.	Feb.	Cons. March. 10c.	235xr	12.1	Q60c	4.4	7.9
—		10.2	61	—	—	—	—
—		Greenwich Res	286	—	—	—	—
—		Hemlo Gold Mines	£10⅞	—	—	—	—
—		♦Highwood Res	279	—	—	—	—
Fb Jan Ag Nv		Homestake Mining $1	£22¼	20.5	Q20c	—	0.6
—		♦McFinley Red Lake	324	—	—	—	—
—		♦Musto Explorations	151	—	—	—	—
—		♦New Sabina Res C$1	80	—	—	—	—
—		Northgate C$1	467	9.77	—	—	—
—		Nor-Quest Resources	176	—	—	—	—
Jan.	July	RTZ	£10⅝	27.10	23.5	♦	3.2
Jan	July	Do. 9¾pcLn '95-2000	£207¼	27.10	Q9¾%	15.5	4.7

THIRD MARKET

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
—	Abelscot Group 10p	495	—	3.5	2.7	1.0	52.2
—	Aberdeen Am Pet 10p	32	—	—	—	—	—
	Allied Ins. Brokers	125	—	13.5	2.5	4.0	14.3
—	Ardmore Pet. 'A'	14½	—	—	—	—	—
—	Catalyst Comms. 5p	74	—	—	—	—	—
—	Corton Beach 10p	85xd	1.6	0.4	♦	0.6	♦
—	Crown Eyeglass 5p	165	—	—	—	—	—
—	Edenspring Investmnt	225	—	—	—	—	—
—	Eglinton Oil Ir.5p	33	—	—	—	—	—
—	Do. Warrants	20	—	—	—	—	—
—	Publishing Hldgs.5p	81	—	—	—	—	29.5
—	Theme Holdings	46	27.4	1.0	♦	3.0	♦
—	Unit Group	1495	—	94.6	2.5	4.5	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ♦ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	78	.....	Fin. 13% 97/02	£111	.....
Craig & Rose £1	£36½	.....	Arnotts	335	+2
Finlay Pkg. 5p	65	+1	CPI Hldgs	55	−4
Holt (Jos) 25p	945	.....	Carroll Inds.	141	+1
IoM Stm. £1	118	.....	Dublin Gas	18	.....
			Hall (R. & H.)	104	.....
IRISH			Heiton Hldgs.	30	.....
Fund 11¾% 1988	£100¼	−⅛	Irish Ropes	160	−2
Nat. 9¾% 84/89	£98¾	.....	Unidare	345	−40

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	35	NEI	8
Amstrad	16	Nat West Bk	55
BAT	47	P & O Dfd	55
BOC Grp	42	Plessey	20
BSR	12	Polly Peck	20
BTR	30	Racal Elect	20
Babcock	19	RHM	30
Barclays	47	Rank Org Ord	55
Beecham	48	Reed Intnl	42
Blue Circle	62	STC	20
Boots	25	Sears	12
Bowaters	37	TI	55
1200	58	TSB	8
Brit. Telecom	20	Tesco	42
Burton Ord	23	Thorn EMI	50
Cadburys	22	Trust Houses	20
Charter Cons.	30	Turner Newall	24
Comm Union	29	Unilever	150
Courtaulds	35	Vickers	55
FNFC	20	Wellcome	50
Gen Accident	80	**Property**	
GEC	18	Brit Land	17
Glaxo	110	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	100	Peachey	30
Guardian	85	**Oils**	
GKN	30	BOM	3½
Hanson Tst.	15	Brit Petroleum	60
Hawker Sidd	50	Burmah Oil	38
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen	25	Tricentrol	11
Lex Service	35	Ultramar	17
Lloyds Bank	48	**Mines**	
Lucas Inds.	55	Cons Gold	65
Marks & Spencer	18	Lonrho	24
Midland Bk	55	Rio T Zinc	65
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

DIARY DATES

Trade fairs and exhibitions: UK

Currently
Fine Art & Antiques Fair (01-385 1200) (until June 14) **Olympia**

June 10-11
National Joint Utilities Group *Exhibition* and Conference (0923 778311) **NEC, Birmingham**

June 10-20
Grosvenor House Antiques Fair (0799-26699) **Grosvenor House**

June 16
Building Maintenance Refurbishment Expo (0474-874089) **Birmingham**

June 21-23
Hair Fair—HAIR *(01-940 6065)* **G-Mex Centre, Manchester**

June 22-24
Property Management & Architects Exhibitions (01-749 9535) **Kensington Exhibition Centre**

June 23-25
Software Engineering Tools Exhibition and Conference (01-868 4466) **Wembley**

June 27-28
Craft Fair (01-940 4608) **Sandown Exhibition Centre, Esher**

June 30-July 2
Electronic Publishing Exhibition and Conference (01-868 4466) **Wembley**

July 3-5
Money Show (0895 58431) **University of Leeds**

July 6-9
Royal Agricultural Show (0203 555100) **Kenilworth**

July 10-19
World Wine Fair (01-729 0677) **Bristol**

Overseas

June 9-15
International Building Construction Exhibition — CONSTRUCTION CHINA (01-486 1951) **Beijing**

June 11-21
International Air Show (01-225 5566) **Paris**

June 22-26
International Foundry Exhibition (021-455 9600) **Brno**

June 22-26
International Wine, Spirits and Equipment Exhibition (01-225 5566) **Bordeaux**

June 30-July 3
Electronics Industry Exhibition (02403 29406) **Hong Kong**

July 16-20
International Integration of *Western* and Chinese Medical Technology and Pharmacology Exhibition (01-486 1951) **Shanghai**

July 23-25
British Products and Services Fair (0206 240668) **Amman**

August 21-27
International Jewellery and Watches Exhibition — JEWELFAIR (01-464 4129) **Singapore**

Business and Management Conferences

June 8-9
International Finance Roundtable: *Globalisation of the world* financial markets (New York (212) 696-0215) **The Plaza, New York City**

June 9-10
South Conferences: Third World Stock Markets — the ignored option? (01-930 8411) **The Gloucester Hotel, SW7**

June 9-10
Financial Times: International *collaboration in aerospace*—problems, progress and prospects (01-621 1355) **Paris**

June 16-17
Financial Times: Retailing (01-621 1355) **Hotel Inter-Continental, W1**

June 18
Longman Seminars: Commercial Agreements in the Music Industry (01-242 4111) **Cavendish Conference Centre, W1**

June 19
International Business Communications: Pensions regulations *(01-236 4080)* **Royal Lancaster Hotel, W2**

June 22-23
Financial Times: World gold conference *(01-621 1355)* **Venice**

June 23-24
Institute for International Research: Pricing, Hedging and Trading Options on Interest Rates (01-434 1017) **Moorgate Place, EC2**

June 24-25
ESC: Commercial Exploitation and Protection of Computer Software (0536 204224) **Churchill Hotel, W1**

June 29
The Strategic Planning Society: Recent research results—the competitiveness of British Multinationals (01-235 0246) **15 Belgrave Square, SW1**

June 30-July 1
Watt Committee on Energy: Rational use of energy (01-379 6875) **Heriot Watt Univehsity Edinburgh**

July 2-3
Financial Times Conferences: Oil and gas reappraised (01-621 1355) **Hotel Inter-Continental, W1**

July 6
London Chamber of Commerce: *Turkey in pre-election year* (01-248 4444) **69, Cannon Street, EC4**

July 7-8
City Financial: Insurance information exchange — UK-general markets *(01-242 5275)* **Connaught Rooms, WC2**

July 7-8
Financial Times Conferences: Telecommunications and the European Business Market: the perspectives for change (01-621 1355) **Hotel Inter-Continental, W1**

July 13-14
Spectra: How can retail management use data collected from sales points — to make their businesses grow? (0734 794161) **Portman Hotel, W1**

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Atlas Converting Equipment, 4 Broadgate, EC, 12.30
Centreway Tst., Midland Hotel, New St., B'ham., 3.00
Dewey Warren, Watermen and Lightermen's Hall, St Mary-at-Hill, EC, 4.00
Ford (Martin) Chesterfield Hotel, 35, Charles Street, W., 12.00
Inchcape, Baltic Exchange Chambers, 14-20 St. Mary Axe, E.C., 12.00
INOCO, Chesterfield Hotel, 35 Charles Street, W., 10.00
Minet, Merchant Taylors' Hall, 30 Threadneedle St., E.C., 12.00
[illegible] Frensham Pond Hotel, Churt, Farnham, Surrey, 12.00
Williams Hldgs., Derbyshire County Cricket Club, Nottingham Road, Derby, 12.00

BOARD MEETINGS—
Finals:
Amersham Intnl
Blyvooruitzicht Gold Mining
Electronic Rentals
F and C Alliance Invest
Great Western Resources
Harrisons Malaysian Plantations
Hazlewood Foods
Investment Company
Millward Brown
Northumbrian Fine Foods
Osbourne and Little
Prontaprint
Sanders and Sidney
Yellowhammer
York Mount
Interims:
Durban Roodepoort Deep
East Rand Proprietary Mines

DIVIDEND & INTEREST PAYMENTS—
Addison Consultancy 1.7p
Arab Banking Cpn. (B.S.C.) Flg. Rate Nts. 2000 $312.81
Bank of Wales 2.8p
Damon Cpn. 5 cts.
Highland Dists. 0.68p
House of Leroie 6.4p
IntraRed Assets, 2.15 cts.
Laird 4.1p
Lockheed Cpn. 35 cts.

[illegible]

North Sea and General Oil Invests, Law Society Hall, 113 Chancery Lane, WC, 11.00
Pearl, 252 High Holborn, W.C., 12.00
Tilbury, Butchers' Hall, Bartholomew Close, E.C., 12.00

BOARD MEETINGS—
Finals:
Allied Colloids
Business Mortgages Trust
Caffyns
Great Portland Estates
Harrisons Malaysian Plantations
M & G Second Dual Trust
Pilkington Bros
Staveley Inds
Welpac
Interims:
Camford Engineering
Carr's Milling Inds
Johnson and Firth Brown

DIVIDEND & INTEREST PAYMENTS—
Allied Irish Banks Flg. Nts. 1995 $315.97
Banco Latinoamericano De Export. SA Flg. Nts. 1991 (with-without wnts.) $353.89
Blackley 19p
Chevron Cpn. 60cts.
Dun and Bradstreet Cpn. 75cts.
Exxon Cpn. 90cts.
General Motors 125cts.
Grace (W. R.) 70cts.
Gt. Southern Grp. 3.5p
Guinness 2.1p
Houston Inds. 72cts.
Intnl. Business Mach. Cpn. 110cts.
Mobil Cpn.
Nedlibra Fin. Flg. Nts. 1990 $189.31
New Court Tst. 5p
Noble Lund 0.65p
North Atlantic Secs. 1p
Scott Paper 0.34cts.
Squibb 60cts.
Stat-Plus 3p
Sun Co. 75cts.
Tilbury 5p
United Technologies 35 cts
Warner-Lambert 45cts.

THURSDAY JUNE 11

COMPANY MEETINGS—
Allebone, 65 Holborn Viaduct, EC, 12.00
CI Group, Showell Rd., Wolverhampton, 11.00

[illegible]

CONSTRUCTION CONTRACTS

£35m work for Haden Young

In recent months **HADEN YOUNG** has won contracts worth over £35m. In Scotland first-quarter successes total £8m, the largest being a £2.2m job for the mechanical and electrical installations at RNAD Crombie. Other major awards include mechanical and electrical services for DHSS, Buchanan House, Livingston (£1.7m) and Babcock Power, Renfrew (£1.3m).

Orders worth £14m have been obtained in the North and Midlands. Two mechanical services contracts totalling £4.4m are underway for the North West Regional Health Authority in connection with the Manchester Royal Infirmary phase two development and central services complex. Other projects include services for the control and support buildings on the DP Dimlington gas gathering terminal (£1.6m), the design and installation of process pipework for the vitrified product store at BNFL, Sellafield (£1.1m), *multi-services* design and construction of hotels for Trust House Forte in Hull and Novotel in York (£1.3m), and mechanical services for the Property Services Agency at RAF Leeming (£1.5m) and RAF Cranwell (£0.9m), as well *as a prime contract valued at* £600,000 for mechanical and electrical services to office accommodation for the USAF in Harrogate.

In London and the South orders worth in excess of £15m have been won. The largest multi-services design and construction contract, a £2.1m project from Tarmac Construction for the Prudential Apex Plaza office development in Reading. Other notable awards includes the multi-services design and construction of Dee Corporation stores in Hatfield, Bournemouth and Warrington *totalling* £1.8m, mechanical services to Tesco Stores in Truro and New Malden (£800,000), mechanical and electrical services to a Ministry of Agriculture and Fisheries laboratory for the Property Services Agency (£1.75m), a fast track multi-services prime contract in the Tower of London Jewel House awarded by the Property Services Agency (£450,000), design and construction of mechanical services for St Albans City Council offices (£700,000), a specialist leadwork contract for the roof renewal of Ely Cathedral (£220,000), the building services for the London Transport new maintenance workshop Acton (£2m), luxury flats in the Butlers Wharf redevelopment (£1.5m), and glasshouses at Shell Research in Sittingbourne (£0.75m).

Shopping centre in Aberdeen

The development of Aberdeen's Bon Accord shopping centre has taken a significant step forward with the award of construction contracts by developers, Bredero Group. Contracts worth more than £8.5m over 20 months have been won by **HALL AND TAWSE CONSTRUCTION**. The recent opening of a new road—Berry Street, connecting Loch Street to Gallowgate — has allowed demolition to be completed at *the city centre site.* Under the contracts, Hall and Tawse will carry out all structural work on the 10-acre site, with the *exception of housing and offices.* The Bon Accord Centre will provide 270,000 sq ft of stores, shops, restaurant and leisure facilities as well as parking for 1,050 cars. Boots and C & A have already announced they will move into the centre which will open in 1990. *The John Lewis Partnership* is to redevelop Norco House, creating a 200,000 sq ft department store directly linked to the Bon Accord Centre.

★

MULTI CONSTRUCTION (SOUTHERN), a subsidiary of the Multi Construction (UK) Group, has been awarded a £3m *design and build contract* by Charter Group, for a three-storey office/retail development in Millwall Dock, London. The 65,000 *sq ft steel framed structure* consists of a central core, with glazed atrium and two wings, with waterside walkways, marina, banking and restaurant *facilities*, retail units on ground floors and business suites on upper floors.

Expansion for the London Hospital

HIGGS AND HILL BUILDING has been awarded a £5m contract by the North East Thames Regional Health Authority to construct an extension to the London Hospital at Mile End in East London.

This involves construction of six 24-bed wards for the care of the elderly, a therapy unit, a day hospital for the elderly, and general and academic offices, together with a two-storey corridor link with the existing hospital.

The building housing the new *facilities* will be of reinforced concrete frame construction with brick cladding. They will be two or three storeys in *height with pitched roofs* and will be constructed around a central landscaped courtyard.

Refurbishment at the Foreign Office in Whitehall and a new science laboratory for Westminster School *are among* new contracts valued at nearly £4m won by **ASHBY AND HORNER**. The largest new project is the fitting-out of a new 11,840 sq ft office building for Thorn EMI at Tenterden Street, London W1.

Also in the West End, the Amalgamated Engineering Union's offices in Denmark Street, London W1, are to be *comprehensively* refurbished. A similarly-sized contract has been awarded by Rio Tinto-Zinc, whose main office reception in St *James's Square, London SW1*, is to be substantially upgraded by late summer.

Further gains include refurbishment of financial services premises for Barclays Bank at Cockspur Street, London SW1, the United Bank of Kuwait in Edgware Road, London W2, and the Halifax Building Society in Wembley.

★

Work has started on Safeway's new "flagship" store which will have a sales area almost double that of the company's biggest currently-operating store and almost 12 times bigger than the store it replaces. The management contract for the construction of the £3.7m project in Grove road, Sutton, Surrey, has been placed with **CLARKE CONSTRUCTION (MIDLANDS)**, the commercial and industrial subsidiary of the Clarke Group. The 100,000 sq ft store will have a 51,000 sq ft sales area compared with the 4,300 sq ft of Safeway's existing *35-year-old* Sutton store. By utilising the roof as a car park in addition to adjacent land, the new project will have space *for 460 cars. Clarke Construc*tion has scheduled completion for November and Safeway plans to open it in the summer of 1988.

It has also won the £1.42m fitting-out contract for *Safeway's new Harrogate store.* In Leicester the company has started work on a £1.25m extension to George Oliver (Footwear) central warehouse. Other projects include two new branches for McDonalds's Hamburgers (a £750,000 restaurant in Norwich and a £350,000 restaurant in Nottingham), a £414,000 sports hall at Penkridge for South Staffordshire District Council and a £350,000 seven-unit factory development at Wrexham for the Welsh Development Agency.

Company Notices

Public Notices

MANCHESTER AIRPORT

The Civil Aviation Authority has referred certain questions relating to Manchester Airport plc to the Monopolies and Mergers Commission under the economic regulation provisions of the Airports Act 1986.

The Commission are required to recommend maximum airport charges which may be levied by Manchester over the five years commencing in 1988; and to investigate whether the levying of such charges over the year prior to this reference has operated against the public interest.

The Commission are also required to report on whether any activities carried on for the benefit of aircraft operators, their passengers or consignors of cargo, whether by *Manchester Airport* plc or on its behalf, have operated or might be expected to operate against the public interest. These activities include the provision of such facilities *as car parking, refreshment of passengers* and the supply of consumer goods and services.

The Commission have six months within which to report. Anyone requiring a copy of the terms of reference, or wishing to submit evidence or views on this inquiry should write as soon as possible to The Secretary, Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT. Telephone: 01-831 6111.
Monopolies and Mergers Commission, June 1987.

Department of Trade and Industry.

Legal Notice

SOCIETE CENTRALE PRESERVATRICE FONCIERE ASSURANCES

Notice is hereby given, pursuant to section 51(2) of the Insurance Companies Act 1982, that Societe Centrale Preservatrice Fonciere Assurances has applied to the *Secretary of State for* his approval of the transfer to Preservatrice Fonciere T.I.A.R.D. Compagnie d'Assurances of all its rights and obligations under all general policies *of insurance issued by Societe Centrale* Preservatrice Fonciere Assurances through its branch in the United Kingdom, which has its principal place of business at Capital House, 1 Houndwell Place, Southampton SO1 1HU, together with all rights and obligations which it enjoys as successor in title to La Fonciere T.I.A.R.D. and La Preservatrice A.I.R.D. under all general policies of insurance *issued by La* Fonciere T.I.A.R.D. and La Preservatrice A.I.R.D. through their respective branches in the United Kingdom, which *also had their principal places of* business at Capital House, 1 Houndwell Place, Southampton SO1 1HU, which policies of insurance [illegible] on Societe Centrale Preservatrice Fonciere *Assurances obligations* the performance of which constitutes the carrying on of insurance business in the United Kingdom. Copies of a statement setting out particulars of the transfer are *available for inspection* at the offices of Bishopsgate Insurance plc, 19/21 Billiter Street, London EC3 during normal business hours on any weekday (Saturdays and public holidays excepted) *for a period of 30 days* from the date of publication of this notice.

Written representations concerning the *transfer may be sent to the Secretary* of State before the expiry of 60 days following publication of this notice and the Secretary of State will not determine the application until after considering any representations made to him before the expiry of such 60 day period.

Contracts and Tenders

WORLD STOCK MARKETS

AUSTRIA

1987 High	Low	June 5	Price Sch%
2410	1890	Creditanstalt	1910
3210	2460	Goesser	2550
13,200	11,900	Interunfall	11900
14,000	7650	Jungbunzlauer	7650
2125	1740	Laenderbank	1747
712	680	Perlmooser	683
167	132	Steyr-Daimler	132
1113	690	Veitscher Mag	730

BELGIUM/LUXEMBOURG

1987 High	Low	June 5	Price Frs.
3300	2900	B.B.L.	3200
16000	15300	Banque Gen. Du L.	15300
25200	14300	Bank Int. A	14300
12500	9000	Bekaert B	10350
5520	3900	Ciment CBR	5010
167	131	Cockerill	162
3465	2700	Delhaize	3050
5500	4685	EBES	4810
2700	1630	Fabrique Nat.	1715
1250	926	GB Inno BM	1050
4525	3430	GBL (Brux) L	3745
6850	6080	Generale Bank	6200
6890	6000	Gevaert	6610
8020	6680	Hoboken	7120
4510	3765	Intercom	3850
4710	4040	Kredietbank	4350
12400	10,650	Pan Holdings	12400
11650	9210	Petrofina	11175
8000	5000	Royale Belge	5690
3825	3115	Soc Gen Belge	3440
14950	10375	Sofina	13850
12450	8270	Solvay	12450
450	185	Stanwick Intl.	450
7360	6280	Tractebel	7060
10,300	8900	UCB	9700
5940	5200	Wagons Lits.	5200

DENMARK

1987 High	Low	June 4	Price Kr %
970	720	Baltica Skand	965
299	251	Cop Handelsbank	276
410	323	D. Sukkerfab	335
375	309	Den Danske Bank	349
228	160	East Asiatic	195
980	825	Forenede Bryg	875
357	260	GNT Holding	272
845	695	I.S.S.B. Systems	775
575	455	Jyske Bank	525
294	238	Novo Inds.*	248
295	243	Privatbanken	270
890	675	Sophus Berendsen	890
242	149	Superfos	234

FINLAND

1987 High	Low	June 5	Price Mkx
219.5	148.5	Amer	217
52.3	43.75	KOP	49.30
232.5	184	Kone	232.5
118	92.5	Finnish Sugar	93.75
179.5	132.5	Nokia	165.5
92.7	69	Pohjola 'B'	78.15
28.2	19	Rauma-Repola	25.75
238	137.5	Stockmann 'B'	238
36.75	28.8	UBF 'C'	31.5
153	152.5	Utd. Paper	153
212.5	155.5	Wartsila (S11)	208.5

FRANCE

1987 High	Low	June 5	Price Frs.
1961	1515	Emprunt 4½% '73	1905
9091	6600	Emprunt 7% 1973	8920
573	455	Accor	455.00
		Agence Havas	1175
768	675	Air Liquide	675
868	666	BIC	670
619	530	BNP (Cert. Inv.)	532
3000	2380	Bongrain	2759
5220	1060	Bouygues	1060
5330	4285	BSN Gervais	4965
3005	2190	CIT-Alcatel	2455
3895	3200	Carrefour	3230
746	619	Club Mediterranean	623.00
1185	678	Cie Bancaire	680
407	357	Cofimeg	369.50
325	325	CGE	325.00
3150	2360	Damart	2940
545	390	Darty	405
2560	1912	Dumez S.A.	2173
1543	1240	Eaux (Cie Gen)	1251
398	314	Elf-Aquitaine	369.00
3772	3219	Essilor	3520
1380	1069	Gen. Occidentale	1130
133	84.6	Imetal	118.00
1760	1326	Lafarge Coppee	1455
4530	3785	L'Oreal	4050
5980	4358	Legrand	5370.00
196.5	121.1	Maisons Phenix	121.50
2865	2270	Matra S.A.	2270
3840	2464	Michelin B	3122
1734	1450	Midi (Cie)	1450
2600	2260	Moet-Hennessy	2470
119	80	Moulinex	109
229	175	Nord Est	176.00
549	471	Paribas	476.00
1186	1005	Pernod Ricard	1045.00
839	716	Perrier	770
558	400	Petroles Fra	516.00
1679	1151	Peugeot S.A.	1519
870	516	Printemps Au	745.00
1758	995	Radiotech	1540
3600	2475	Redoute	3120
1925	1485	Roussel-Uclaf	1485
457	390	St. Gobain	418.00
494	461	Sefimeg	494
1560	1210	Skis Rossignol	1230
3640	2851	Telemech Elect	2900
1745	1411	Thompson (CSF)	1420
638	502	Valeo	555.00

ITALY

1987 High	Low	June 5	Price Lire
27000	23599	Banca Com'le	23610
715	650	Bastogi-IRBS	664
7155	5765	CIR	6000
3650	2030	Credito Italian	2101
17850	12110	Fiat	12780
141200	129000	Generali Assicur	131700
101000	72000	Italcement	95000
1340	960	La Rinascenti	1205
2968	2540	Montedison	2540
14700	11900	Olivetti	12750
7840	6420	Pirelli Co	6420
5750	4990	Pirelli Spa	5212
4360	3760	Saipem	3800
4895	3745	Snia BPD	3791
35500	27720	Toro Assic	31900

GERMANY

1987 High	Low	June 5	Price Dm.
350	280	AEG	310.50
2220	1590	Allianz Vers	1590
290	239	BASF	287
330	274	Bayer	312
563	372	Bayer-Hypo	373
523	377	Bayer-Verein	379
543	390	BHF-Bank	402
617	455	BMW	614
344	270	Brown Boveri	325.50
312	244.5	Commerzbank	247.50
350	269	Cont'l Gummi	333.50
1220	920	Daimler-Benz	1011.50
533.5	420	Degussa	484.50
240	200	D'sche Babcock	213
815	579.5	Deutsche Bank	594
403	302	Dresdner Bank	308
310	268	Feld Muehle Nob	293.50
527	458	Henkel	518.80
1110	634	Hochtief	634
293	240	Hoechst	272
118.8	88	Hoesch Werke	115.60
555	378	Holzmann (P)	384
293	201	Horten	229
600	518	Hussel	525
479	403	Karstadt	435
529	447	Kaufhof	481
168	142	KHD	162.80
51.8	35	Kloeckner	44.90
708	589	Linde	690
191	143	Lufthansa	166
197.6	148	MAN	156.50
185	142	Mannesmann	154.80
1025	740	Mercedes Hld	848
366	250	Metallgesell	323
2700	1650	Muench Rueck	1650
823	687	Nixdorf	788
995	815	Porsche	920.50
200	145	Preussag	155.50
240	186	Rhein West Elect	210.50
346	238	Rosenthal	238
691	524	Schering	533
742	620	Siemens	699
127	109	Thyssen	117
371.5	313	Varta	313
310	252	Veba	299.20
170	139.5	V.E.W.	163
486	375	Verein-West	397
421	312	Volkswagen	376.60

NETHERLANDS

1987 High	Low	June 5	Price Fls.
65.5	55.5	ACF Holding	57.50
94.6	78	AEGON	87.50
107.3	91.2	Ahold	91.20
159.7	127.3	AKZO	129.50
538	452.5	ABN	476
75.4	58.2	AMEV	60.30
90.5	73	AMRO	73
91	4.5	Bredero Cert	37
57	48.2	Boehrmann-Tet	52.30
244	195.5	Dordtsche Petroleum	236.40
53.2	46	Elsevier Ndu	47.80
58.5	44	Fokker	47
48	39	Gist Brocades	41
179.7	145	Heineken	172.50
43.3	29.7	Hoogovens	41.20
62.3	48.4	Hunter Douglas	52
24	16.6	IHC Calland	19.60
70.7	59	Int Mueller	64.50
47.5	35.1	KLM	46.70
162.5	133.5	KNP	141.50
81.2	66.2	Nat Ned Cert	67.30
197	153	Ned Mid Bank	158
180.5	133.5	Ned Lloyd	133.50
476	380	Oce Grinten	406
41.6	34	Ommeren (Van)	35.60
78.2	60	Pakhoed	71
53.1	43	Philips	47.80
110.2	94	Robeco	102.50
146	137.6	Rodamco	146
96.8	82.8	Rolinco	96.50
52.6	49.6	Rorento	52.30
265.1	207.8	Royal Dutch	257.90
652.5	493.5	Unilever	652.50
28	22.5	VMF Stork	22.50
88.1	68	VNU	74.60
87.1	73	Wessanen	78.80
129	106.5	Wolters Samsom	126.50

NORWAY

1987 High	Low	June 5	Price Kroner
76	57	Aker-Norcem	65
191	169	Bergen bank	173
397.5	260	Bergesen B	397.50
211	182	Christiania Bk	189
208	148	Den Norsk Credit	155.50
109	86.5	Elkem	107.50
161	133	Kosmos	140
212.5	170	Kvaerner	212
258	204	Norsk Data	218
209.5	131	Norsk Hydro	203
424	370	Orkla Borregaar	389
368	290	Storebrand	352

SPAIN

1987 High	Low	June 5	Price Pts.
1680	1275	Banco Bilbao	1406
1135	154	Banco Central	1003
650	385	Banco Exterior	440
630	450	Banco Hispano	501
1900	1395	Banco Popular	1475
1295	990	Banco Santander	1145
2000	1600	Banco de Vizcay	1800
910	610	Banesto	765
750	450	Dragados	670
113.2	52.2	Hidrola	72.70
169.2	84.2	Iberduero	103
598	375	Petroleos	508
194.5	146.5	Telefonica	167.70

SWEDEN

1987 High	Low	June 5	Price Kroner
209	142	AGA (free)	193
343	261	Alfa-Laval	315
350	286	ASEA (Free)	329
300	200	Astra (Free)	287
184	140	Atlas Copco	164
240	136	Beijer A Fria	227
240	143	Cardo (Free)	235
380	235	Cellulosa	349
331	274	Electrolux B	284
298	189	Ericsson	263
173	124	Esselte	145
384	210	Mo Och Domsjo	370
240	187	Pharmacia	196
770	600	Saab-Scania (free)	608
190	135	Sandvik	169
170	110	Skandia	147
133	104	Skan Enskilda	123
397	310	SKF	357
401	269	St. Kopparbergs	372
447	380	Svka Handelsbn	445
528	415	Swedish Match	493
347	261	Volvo B (Free)	303

AUSTRALIA

1987 High	Low	June 5	Price Aust$
4.1	2.55	ACI Int.	4
3.8	1.8	A.F.P.	2.60
14.5	8.1	Adelaide Steams	9.50
5.04	4.15	Amcor	4.40
4.3	2.8	ANZ Group	4.15
3.45	2.65	Ampol Pet	3
3.75	2.95	Ariadne Aust	3.30
4.7	2.7	Ashton	3.70
3.12	2.25	Aust Guarant	2.70
2.05	1.05	Aust Nat Inds	1.98
8.4	7.1	Bell Group	7.96
6.4	4.15	Bell Resources	4.50
2.63	1.67	Bond Corp Hldgs	2.35
5.1	4.35	Boral	5.10
5.46	3.1	B'ville Copper	4.60
9.99	7.65	Brambles Inds	9.70
1.89	0.85	Bridge Oil	1.50
10.35	7.75	BHP	9.76
11.8	9.04	Burns Philip	10.04
11.3	6.4	CRA	8.96
4.35	3.55	CSR	3.92
5.8	2.55	Chase Corp	2.85
1.85	0.7	Claremont Petro	1.40
7.16	6	Coles Myer	7
3.65	2	Comalco "A"	3.45
0.74	0.2	Consolidated Pet	0.27
3.8	2.05	Costain Aust	2.90
5.1	4	Elders IXL	4.35
2.55	1.55	Energy Res	2.50
3.43	2.18	Gen Prop Trust	3.20
4	2.8	Hardie (J.)	3.40
5.1	2.6	Hartogen Energy	3.30
4.85	3.15	ICI Aust	4.80
6	4.35	Industrial Equity	4.55
0.87	0.38	Jimblana (50cFP)	0.60
1.45	0.85	Kia Ora Gold	1.15
9.8	6.95	Kidston Gold	7.70
14	8.4	Lend Lease	14
3.48	1.45	MIM	2.28
4.75	3.9	Mayne Nickless	4.35
5.2	4.1	Nat. Aust. Bank	4.65
25	17	News	17.80
4.5	3.1	Noranda Pacific	3.45
3.29	1.91	North Bkn Hill	2.78
1.11	0.53	Oakbridge	0.62
5.3	3.9	Pacific Dunlop	4.85
4.5	2.68	Pancont'l	3.85
3.65	3.05	Pioneer Conc	3.30
4.75	2.1	Placer Pacific	3.68
6.1	2.7	Poseidon	4.15
1.7	0.98	Queensland Coal	1.42
7.2	3.85	Santos	6.92
5.2	4.6	Smith (H.)	4.95
4.35	3.16	Thos Natwide	4.35
7.5	5.75	Tooth	7.50
4.05	2.55	Vamgas	3.70
8.12	3.51	Western Mining	6.36
5.3	4.4	Westpac	4.90
2.68	1.55	Woodside Petrol	2.20
4.1	3.35	Woolworths	3.35
4.4	2.5	Wormald Intl	3.55

HONG KONG

1987 High	Low	June 5	Price H.K.$
26.9	17.5	Bank East Asia	22.70
6.6	4.9	Cathy Pacific	6.30
12.25	8.8	Cheung Kong	11.60
23.2	17.5	China Light	23.00
0.97	0.58	Evergo	0.66
13.7	10.2	Hang Lung	13.70
38	26	Hang Seng Bank	37.00
6.9	3.9	Henderson Land	6.90
24.8	15.3	Hong Kong China	16.90
[illegible]	[illegible]	[illegible]	[illegible]

JAPAN

1987 High	Low	June 6	Price Yen
4100	1890	Ajinomoto	3550
1,990	1020	All Nippon Air	1950
2070	1320	Alps Electric	2070
1280	770	Asahi Chemicals	1260
2180	1310	Asahi Glass	2090
1900	1040	Bank Tokyo	1730
1040	663	Bridgestone	1020
650	545	Brother Inds	644
1020	691	Canon	913
1400	861	Casio Computers	1170
1950	1340	Chugai Pharm	1950
1690	1190	Daiei	1690
4160	1950	Dai Ichi Kan Bank	3810
765	603	Dai Nippon Ink	750
2560	1700	Dai Nippon Ptg	2360
2630	1760	Daiwa House	2590
3930	1750	Daiwa Sec	3290
2380	1710	Eisai	1980
6100	386	Fanuc	5490
4220	3170	Fuji Bank	3850
3640	2730	Fuji Film	3200
2270	1750	Fujisawa	1990
1100	700	Fujitsu	1060
880	479	Fujisawa Elect	800
2990	2230	Green Cross	2800
2230	1760	Heiwa Real Est	1870
1120	860	Hitachi	1070
2080	1500	Hitachi Credit	1780
1,550	1140	Honda	1530
5090	2560	Indl Bank Japan	4740
766	406	Ishikawajima Ha	761
389	310	Isuzu Motors	382
1030	731	Itoh (C)	830
3940	3210	Ito Yokado	3850
16800	1200	JAL	15300
1400	1050	Jusco	1370
2130	1460	Kajima	1960
2170	1650	Kao Soap	2100
272	175	Kawasaki Steel	258
3090	1600	Kirin	2890
349	156	Kobe Steel	300
690	474	Komatsu	680
690	571	Konishiroku	690
678	348	Kubota	630
1340	1100	Kumagai	1200
5390	3560	Kyoto Ceramic	5260
620	440	Marubeni	570
3280	2500	Marui	3280
423	330	Mazda Motors	413
1220	800	Meiji Seika	1180
2020	1460	MEI	1870
4200	2010	M'bishi Bank	3850
1180	731	M'bishi Chem	1180
1640	960	M'bishi Corp	1490
590	408	M'bishi Elec	581
3490	2440	M'bishi Estate	3150
662	430	MHI	604
3030	1310	Mitsui Bank	2700
939	530	Mitsui Co.	854
3100	1850	Mitsui Estate	2980
804	335	Mitsui Toatsu	754
1690	1020	Mitsukoshi	1670
1,040	807	NGK Insulators	940
3120	1510	Niko Sec	2640
1660	4	Nippon Denso	1520
2090	1400	Nippon Elect	1890
1610	1200	Nippon Express	1430
1700	1270	Nippon Gakki	1520
768	600	Nippon Kogaku	768
367	230	Nippon Kokan	318
1410	1120	Nippon Oil	1320
538	439	Nippon Seiko	538
1360	1000	Nippon Shimpan	1360
398	171	Nippon Steel	359
675	460	Nippon Suisan	675
691	443	Nippon Yusen	639
765	550	Nissan Motor	720
[illegible]	[illegible]	[illegible]	[illegible]

SWITZERLAND

SOUTH AFRICA

1987 High	Low	June 5	Price Rand
6.85	4.9	Highveld Steel	6.85
21.25	17	Malcor Hldgs	19.50
8.55	6.2	Nedbank	8.20
19.1	13	OK Bazaars	18.25
15.5	10	Rembrandt	15
57.62	44.87	Rust Plat	55.87
26.5	17.5	Safren	26.50
19	10	Sage Holdings	17.25
21.5	15.3	SA Brewers	18.10
43.5	29.75	Smith (C.G.)	42
12.75	7.75	Tongaat Hulett	11.70

SINGAPORE

1987 High	Low	June 5	Price S$
4.42	3.66	Straits Trading	4.36
3.52	2.82	Tat Lee Bank	3.50
5.9	4.18	UOB	5.60

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices June 5

MONTREAL

Closing prices June 5

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices, June 5

Continued from Page 33

Indices

NEW YORK

DOW JONES

	June 5	June 4	June 3	June 2	1987 High	1987 Low	Since compilation High	Since compilation Low
◆Industrials	2326.15	2337.08	2320.69	2278.22	2405.54 (6/4)	1927.31 (2/1)	2405.54 (6/4/87)	41.22 (2/7/32)
Home Bonds	87.71	87.65	87.47	87.62	95.51 (9/2)	87.07 (22/5)	(—)	(—)
Transport	986.66	984.59	978.76	966.58	986.66 (5/6)	816.38 (2/1)	986.66 (5/6/87)	12.32 (8/7/32)
Utilities	198.64	198.47	196.86	194.61	227.83 (22/1)	191.39 (20/5)	227.83 (22/1/87)	10.5 (8/4/32)

◆Day's High 2346.33 (2343.45) Low 2312.35 (2308.71)

STANDARD AND POOR'S

	June 5	June 4	June 3	June 2	1987 High	1987 Low	Since compilation High	Since compilation Low
Composite‡	293.45	295.09	293.47	288.46	301.95 (6/4)	246.45 (2/1)	301.95 (6/4/87)	4.40 (1/6/32)
Industrials	340.53	(u)	340.77	334.97	349.93 (6/5)	274.58 (2/1)	349.49 (6/4/87)	3.62 (21/6/32)
Financials	28.38	28.55	28.40	25.94	31.51 (6/3)	25.97 (29/5)	31.51 (6/3/87)	8.64 (1/10/74)
NYSE Composite	165.49	166.16	165.27	162.77	171.08 (24/3)	141.01 (2/1)	171.08 (24/3/87)	4.46 (25/4/42)
Amex Mkt. value	329.50	329.15	327.33	325.66	342.23 (6/4)	267.49 (2/1)	342.29 (6/4/87)	29.31 (9/12/72)
NASDAQ OTC Comp	417.82	417.41	415.90	413.60	439.64 (20/3)	353.26 (2/1)	439.64 (20/3/87)	54.87 (3/10/72)

	May 29	Apr. 24	Apr. 10	year ago (approx.)
Dow Industrial Div. Yield	2.93	2.99	2.86	3.57
	Apr. 22	Apr. 15	Apr. 8	year ago (approx.)
S and P Industrial Div. Yield	2.52	2.54	2.47	2.98
S and P P/E ratio	23.17	21.23	22.12	17.22

TRADING ACTIVITY

† Volume Millions

	June 5	June 4	June 3
New York	129.110	140.300	164.170
Amex	9.201	12.230	15.590
OTC	(u)	(u)	140.970

NEW YORK	June 5	June 4	June 3
Issues Traded	1,939	1,950	1,960
Rises	714	917	1,099
Falls	808	604	471
Unchanged	417	429	390
New Highs	714	30	37
New Lows	807	23	21

CANADA

TORONTO

	June 5	June 4	June 3	June 2	1987 High	1987 Low
Metals & Minerals	2836.4	2828.8	2782.0	2684.5	2943.6 (11/5)	1988.2 (2/1)
Composite	3728.1	3726.2	3701.0	3676.0	3881.2 (6/4)	3067.8 (2/1)
MONTREAL Portfolio	1862.98	1864.49	1852.43	1826.80	1935.0 (6/4)	1534.3 (2/1)

	June 5	June 4	June 3	June 2	1987 High	1987 Low
AUSTRALIA						
All Ord (1/1/80)	1778.0	1772.4	1776.2	1758.3	1858.8 (18/5)	1486.7 (2/2)
Metals & Minerals (1/1/80)	1073.7	1077.9	1105.0	1066.2	1287.5 (18/5)	729.1 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	186.61	186.60	186.52	184.98	230.60 (2/1)	183.43 (25/5)
BELGIUM						
Brussels SE (1/1/80)	4566.72	4527.60	4501.70	4535.80	4683.0 (15/5)	3987.86 (9/1)
DENMARK						
Copenhagen SE (3/1/83)	(c)	(u)	206.42	205.95	217.57 (22/1)	189.64 (6/1)
FINLAND						
Unitas General (1975)	523.0	522.5	519.3	519.0	523.0 (5/6)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	413.40	418.30	416.30	426.80	460.4 (26/3)	392.0 (2/1)
Ind Tendance (31/12/86)	102.80	104.10	103.10	105.80	117.2 (26/3)	97.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	578.56	582.59	580.85	581.13	676.84 (6/1)	538.32 (19/3)
Commerzbank (1/12/53)	1749.90	1762.40	1757.20	1760.20	2048.3 (6/1)	1633.8 (19/3)
HONG KONG						
Hang Seng Bank (31/7/64)	3064.33	3023.60	2985.10	2934.19	3064.33 (5/6)	2449.88 (20/1)
ITALY						
Banca Com. Ital (1972)	697.40	695.03	694.63	688.72	767.34 (30/4)	673.60 (3/3)
JAPAN**						
Nikkei (16/5/49)	25271.30	25366.11	25049.40	24902.63	25366.11 (4/6)	18544.0 (13/1)
Tokyo SE New (4/1/68)	2181.01	2190.35	2158.92	2147.69	2193.75 (11/5)	1557.46 (13/1)
NETHERLANDS						
ANP CBS Gen (1970)	287.0	287.90	285.00	285.40	293.4 (9/4)	257.7 (28/1)
ANP CBS Indust. (1970)	245.50	247.40	247.50	249.10	274.9 (5/1)	243.7 (28/1)
NORWAY						
Oslo SE (4/1/83)	—	435.15	428.02	425.67	436.16 (24/4)	361.98 (2/1)
SINGAPORE						
Straits Times (30/12/66)	1245.71	1238.21	1239.45	1236.60	1245.71 (5/6)	889.08 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	2083.0	2083.0	2076.0	2308.0 (27/4)	1786.0 (19/3)
JSE Indust (28/9/78)	—	1864.0	1856.0	1846.0	1957.0 (19/5)	1423.0 (2/1)
SPAIN						
Madrid SE (30/12/85)	225.75	227.81	229.39	230.35	255.95 (23/2)	202.89 (8/5)
SWEDEN						
Jacobson & P. (31/12/56)	2636.80	2635.20	2619.7	2631.80	2782.10 (6/5)	2111.39 (28/1)
SWITZERLAND						
Swiss Bank Corp (31/12/58)	585.90	584.10	580.20	579.50	603.3 (6/1)	564.5 (25/2)
WORLD						
M.S.Capital Intl. (1/1/70)	—	468.5	466.50	464.80	475.50 (8/5)	361.3 (2/1)

**Saturday May 30: Japan Nikkei 24,901.59. TSE: 2,146.26.

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Allegis	2,631,000	89⅞	+2⅜
Echlin Mfg	2,598,300	15¼	−¾
Texaco	1,950,000	38	+⅜
Harnischf	1,666,400	19	+1⅛
Fed. Stores	1,298,700	50⅞	+2⅜
Gen. Hme	1,267,700	14⅞	+⅞
Waste Man	1,258,600	40½	+¼
Dayton Hud	1,241,200	50	−2⅞
Balt. Gas	1,148,500	30⅛	+⅛
Phillips Pet	1,138,400	15⅞	−½

Closing prices, June 5

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33⅝	20⅛	AAR s	.50	1.6	21	129	30½	29⅞	30⅜	+⅜
37	21⅞	ADT	.92	3.0	17	109	30⅞	30½	30½	−⅜
27¾	16¾	AFG s	.16	.6	11	575	25⅜	25	25⅜	−¼
22⅜	6⅜	AGS s			21	491	20⅜	20	20	−⅜
13	6¾	AMCA				1	8	8	8	+⅛
9⅜	4⅞	AM Intl				813	6⅞	6⅝	6⅝	
62⅛	47¼	AMR			12	5478	57¼	56½	57¼	+½
11¾	8	ARX s			12	194	10⅝	10⅜	10⅜	−¼
73½	28¾	ASA	2a	3.4		351	60	59	59	−¾
20	9¾	AVX		1.9	85	209	17	16⅞	17	+⅛
67	41	AbtLab	1	1.6	26	3211	62½	61¾	62⅜	+½
23⅛	16⅝	AccoW s .44		2.1	19	1219	20⅝	20⅛	20⅝	+½
15⅛	9	AcmeC .40		3.1	9	100	13	12¾	13	+¼
8⅜	6⅞	AcmeE .32b		4.0	31	1	8	8	8	
23⅞	19	AdaEx 3.42e		16.		42	21½	21¼	21¼	
19½	11⅜	AdmM s .24		1.4	13	113	17¼	17	17	+⅛
21½	12⅛	AdvSys .52t		3.0	15	101	20¼	20¼	20⅜	+¼
26⅝	12⅞	AMD				981	21	20⅝	20¾	−¼
54¾	49⅜	AMD pf	3	5.8		101	52⅛	51¾	52⅛	+⅛
10¾	5¼	Adobe				32	9⅝	9¼	9⅝	+⅛
20½	13¾	Adob pf 1.84		9.7		4	19	19	19	−⅛
21⅞	16⅝	Adob pf 2.40		12.		9	20¾	20⅝	20¾	+¼
16⅝	10⅜	Advest .12a		.9	9	43	13	12⅞	12⅞	−⅛
68¼	53	AetnLf 2.76		4.8	9	4431	57⅜	57	57¼	−⅜
53⅝	51⅛	AetL pf3.75e		7.3		z10	51½	51½	51½	+¼
60	26⅛	AfilPb s .32		.5	31	148	u60⅛	59¼	60⅛	+⅜
28¾	18⅝	Ahmans .88		4.4	6	3581	20½	20	20	−¾
5¾	2⅞	Aileen				121	4⅝	4½	4⅝	
48½	29⅛	AirPrd .80		1.9	240	3251	44¼	43	43⅛	−1
38	16	AirbFrt .60		1.9	12	3771	37⅜	30¾	31⅛	−¼
12	7⅝	Airgas n				55	10⅞	10¾	10¾	
20⅜	16¼	Airlse n1.03e		5.8		37	17¾	17¼	17¾	+¼
17-32	¼	AlMoan				103	13-32	⅜	⅜	−1-32
10¾	8⅞	AlaP dpf.87		8.7		168	10	9⅞	10	
106½	93¼	AlaP pf 9		9.3		z270	97	96½	97	+¾
98½	83½	AlaP pf 8.28		9.6		z250	85⅞	85⅞	85⅞	+⅞
27⅞	14¼	AlskAir .16		.8	14	1037	20⅜	20	20⅛	+¼
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Continued on Page 33

NYSE COMPOSITE CLOSING PRICES

Continued from Page 32

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12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
47⅞	31⅛	Wilco s 1.12		2.7	14	343	42⅛	40¾	41⅞	+1⅛
14	8⅛	WolvrW				65	12¼	12	12¼	+¼
54	37	Wlwth s1.32		2.6	15	2490	51	50¼	50½	+¼
7¼	2	WrldAr				150	5½	5	5½	+⅛
19¾	14⅛	WrldVl n				74	17⅞	17¾	17¾	−⅛
54	36⅞	Wrigly s1.04		2.1	18	54	49½	48¼	48⅝	−1
3⅞	1⅞	Wurltzr				4	2½	2½	2½	
18⅞	11	WylaLb .32		1.8	35	527	17⅝	17⅛	17½	+¼
25¾	16	Wynns .60		3.4	13	215	17¾	17⅜	17¾	+⅜
		X Y Z								
81¼	48⅝	Xerox 3		3.9	16	5231	77⅝	76¼	77	−⅜
58¼	54⅝	Xerox pf5.45		9.9		27	55	54¾	55	
28¾	21½	XTRA .64		2.5		1048	26¼	25½	25⅞	−⅛
24½	13½	YorkIn			15	120	24¼	24	24¼	+⅛
6	2¼	Zapata				155	4⅞	4⅝	4⅞	+⅛
43⅞	20¾	Zayre s .40		1.5	16	2444	27⅛	26½	26½	−⅝
14¾	9¾	Zemex .40		2.9	9	86	14¼	13¾	13¾	−¼
29¾	16⅞	ZenithE				1070	29¾	29⅜	29⅜	−⅜
17½	8	ZenLab				755	10⅝	10¼	10½	
19½	12⅝	Zero .36		2.3	16	269	16¼	15⅞	16	−⅛
51¾	32¾	Zumin 1.36		2.8	17	93	49⅛	48½	49	
10⅜	8¾	Zwaig n.10e		1.1		1606	9¼	8⅞	9¼	+¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices June 5

Stock	Div	P/E	Sls 100s	High	Low	Close	Chnge
ACIpf	1.20		2	14⅜	14⅜	14⅜	
AT&E			873	21⅜	20¾	20⅞	−¾
AcmePr	.04o		20	3⅞	3¾	3¾	+⅛
Acton			38	3⅛	3	3⅛	
AdRusll		244	1322	u33	27⅞	31¾	+5
AlbaW		12	15	8¾	8⅝	8¾	−⅛
Alphain			1179	8	7	8	+1
Alzas		138	253	36¼	35⅞	36	−⅜
Amdahl	.20	28	340	35⅞	35⅜	35⅜	−½
AIsrael	.31e	10	8	27⅞	27⅞	27⅞	+⅛
AMzeA	.52	9	119	18⅞	18⅝	18⅝	−⅛
AMzeB	.52	8	4	18¼	18⅛	18¼	+⅜
AMBld			123	4	3¾	3¾	−⅛
APetf		22	1	61¾	61¾	61¾	+⅛
APrecs	.20	67	41	15½	15⅜	15⅜	−⅛
AmRoyl	.11e		62	9½	9⅜	9½	
AScIE		225	26	4⅝	4½	4½	
Andal		3	220	7⅞	7⅞	7⅞	−¼
AndJcb			16	2	2	2	
ArzCmn			17	7¾	7½	7¾	+⅛
Armtrn			15	3⅜	3¼	3⅜	
Arundl		8	1	22⅞	22⅞	22⅞	+⅛
Asmrg	.20		147	10¼	10	10⅛	
Astrotc			342	¾	⅝	11-16	+1-16
Atarin		24	292	31⅞	30⅞	30⅞	−1
Atamwi			73	16¼	15¾	15¾	−½
AtlsCM			935	1¼	1⅛	1¼	
Atlaswt			9	8¼	8⅛	8⅛	−⅛
B B							
BAT	.23o	12	1127	u9 9-16	9 7-16	9½	+1-16
Banstrg			35	8¼	8	8¼	+⅛
BaryRG		10	12	7¼	7	7	
Baruch			17	7½	7⅜	7½	
BergBr	.32	15	94	23	22¾	23	+⅛
BicCp	.60	13	26	27⅛	26½	27	+⅝
BigV	.44	17	222	18⅜	17¾	18	−½

[illegible]

Stock	Div	P/E	Sls 100s	High	Low	Close	Chnge
D D							
Dl Ind			5	1⅝	1⅝	1⅝	
DWG			287	6	5¾	5¾	−¼
Damson			2332	½	7-16	7-16	−1-16
DataPd	.16	24	155	10¾	10½	10½	−⅛
Delmed			1713	1¼	1 3-16	1 3-16	−1-16
Dillard	.12	18	246	44⅝	43⅝	43¾	−⅞
Diodes			19	3⅜	3¼	3⅜	
DomeP			2397	15-16	⅞	15-16	
Domtrs	.50		284	15	14⅞	15	
Ducom	.20	12	6	14¼	14⅛	14⅛	−⅛
E E							
EaglCl			95	2¼	2	2	−⅛
Esigp	2.90e	9	1	27⅞	27⅞	27⅞	+⅛
EchoBg	.14		1867	38¾	37⅞	38⅝	+⅞
EcolEn			41	22⅛	21⅞	22	−¼
Elsinor			14	2¾	2⅝	2¾	
EmpAn	.08e	8	230	5	4¾	4¾	−¼
EntMke		31	698	9¾	9¼	9⅜	−⅜
Espey	.40	17	14	21⅞	21⅝	21⅝	−⅝
F F							
Fabind	.60	11	10	33¾	33½	33½	−½
Fidata			15	7	7	7	
FAusPr	.57e		1083	9	8⅞	9	
FischP	.61t	88	24	14	13¾	13¾	−¼
vjFlanig		7	5	5⅞	5⅞	5⅞	+⅛
Fluke	1.28t	21	49	27⅝	27⅛	27⅝	+⅜
FmlIG		12	37	5⅞	5¾	5⅞	+⅛
ForstL		37	244	28½	27⅝	28½	+1⅛
FreqEl		20	140	27⅛	26	27⅛	+⅞
FruitLn			558	7	6¾	7	
FurVlt	.20	15	109	7⅞	7¾	7⅞	
G G							
GRI		9	57	8½	8¼	8¼	−⅜
GTI			150	7⅝	7½	7½	−¼

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OVER-THE-COUNTER

Nasdaq national market, closing prices, June 5

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Continued on Page 31

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Venice summit and UK election dominate sentiment

BY COLIN MILLHAM

ECONOMIC NEWS is likely to be totally overshadowed by two important political events this week.

The first is the meeting of leaders from the major industrial nations, beginning in Venice today, and the second is Thursday's UK general election.

In general the financial markets do not expect very much from the Venice summit, and are not looking for a fresh initiative to keep the exchanges stable.

Mr Christopher Johnson, chief economic adviser at Lloyds Bank, says the meeting may encourage a period of stability for the dollar, but by September it will be weakening again.

Lloyds Bank forecasts rates of Y127 and DM 1.60 for the dollar by March 1988.

Mr Johnson suggests the central banks have been experimenting with target zones for exchange rates, since the Paris Group of Seven meeting in February.

He does not expect any public announcement of exchange rate bands at the summit, but suggests the probable target for sterling against the dollar is $1.69 to $1.53 and for the pound against the D-Mark is DM 3.05 to DM 2.76.

Mr Johnson adds that the commitment to target zones is somewhat half-hearted however, and expects only a few months breathing space for the dollar.

Lloyds Bank forecasts sterling will join the European Monetary System in the third quarter of 1987, close to its present notional central rate of DM 2.78, providing the D-Mark strengthens as expected.

Sterling's membership of the EMS is widely expected among City analysts, but forecasts of its value against the D-Mark on entry vary between the Lloyds Bank prediction and Credit Suisse First Boston's suggestion of DM 3.20.

Membership of the EMS and the pound's value in the near future will depend on the result of Thursday's election. Opinion polls last week pointed towards an overall Conservative majority of about 80 seats, but while the result remains in doubt the market will react nervously to any suggestion of a narrowing in the gap between support for the Tories and Labour, or the possibility of a hung parliament.

Friday's UK retail prices index is likely to be largely ignored as attention is focused on the election result, but it is the most important British economic statistic this week.

Retail prices are expected to have fallen in May, after a 1 per cent cut in mortgage rates. This will be the first monthly fall since last July.

A survey by Money Market Services points to a fall of 0.1 per cent, bringing year-on-year inflation down to 3.9 per cent from 4.2 per cent. County NatWest agrees with this, but stockbroker, James Capel, and merchant bank, Morgan Grenfell, are looking for a reduction of 0.2 per cent, and an annual inflation rate of 3.8 per cent.

The main US statistic this week will also be released on Friday. The US trade deficit has been running at a monthly average of about $13bn this year and most forecasters do not expect any substantial improvement in April.

A survey by MMS suggests an April deficit of $13.5bn. Morgan Grenfell's forecast is also $13.5bn, but MMS itself expects an even larger shortfall of $14.2bn.

If the trade figures are as bad as forecast and the Venice summit fails to come up with new measures to correct the imbalance in trade between Japan, Europe and the US, the dollar is likely to come under renewed pressure.

Depending on this, and the result of the UK election, Friday could be the most interesting day on the foreign exchanges for some time.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
118	8.50	9.30	0.40	1.44
120	7.11	8.03	1.01	2.17
122	5.46	6.49	1.36	2.63
124	4.26	5.39	2.16	3.53
126	3.15	4.38	3.05	4.52
128	2.26	3.46	4.16	5.60
130	1.40	2.61	5.30	7.11
132	1.06	2.21	6.60	8.35

Estimated volume total, Calls 2,290 Puts 2,012
Previous day's open int: Calls 17,875 Puts 8,781

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
80	10.15	9.24	0.05	0.40
82	8.22	7.48	0.12	1.00
84	6.37	6.18	0.27	1.34
86	4.62	4.63	0.52	2.15
88	3.37	3.55	1.27	3.07
90	2.29	2.59	2.19	4.11
92	1.38	2.10	3.28	5.26
94	0.62	1.36	4.52	6.52

Estimated volume total, Calls 153 Puts 162
Previous day's open int: Calls 370 Puts 391

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last July	Puts—Last June	Puts—Last July
20750	19.53	22.92	2.03	0.92
21000	17.57	20.75	2.57	1.25
21250	15.72	18.66	3.22	1.66
21500	13.98	16.67	3.98	2.17
21750	12.35	14.78	4.85	2.78
22000	10.84	13.01	5.84	3.51
22250	8.55	11.37	6.05	4.37
22500	7.15	9.85	7.15	5.35

Estimated volume total, Calls 40 Puts 82
Previous day's open int: Calls 414 Puts 561

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Jun.	July	Aug.	Sept.	Puts—Last Jun.	July	Aug	Sept.
1.45	18.10	—	—	18.10	0.00	—	—	0.13
1.50	13.10	13.10	13.10	13.10	0.00	0.05	0.29	0.46
1.55	8.10	8.19	8.58	8.73	0.01	0.35	0.96	1.28
1.60	3.31	4.27	5.06	5.34	0.29	1.43	2.44	2.89
1.65	0.53	1.71	2.59	2.91	2.51	3.87	4.97	5.46
1.70	0.02	0.50	1.13	1.40	7.00	7.66	8.51	8.95
1.75	0.00	0.10	0.42	0.59	11.98	12.26	12.80	13.14

Estimated volume total, Calls 2 Puts 50
Previous day's open int, Calls 1,272 Puts 2,359

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Jun.	July	Aug.	Sept.	Puts—Last Jun.	July	Aug	Sept.
1.45	18.10	—	—	18.10	0.00	—	—	0.13
1.50	13.10	13.10	13.10	13.10	0.00	0.05	0.29	0.46
1.55	8.10	8.19	8.58	8.73	0.01	0.35	0.96	1.28
1.60	3.31	4.27	5.06	5.34	0.29	1.43	2.44	2.89
1.65	0.53	1.71	2.59	2.91	2.51	3.87	4.97	5.46
1.70	0.02	0.50	1.13	1.40	7.00	7.66	8.51	8.95
1.75	0.00	0.10	0.42	0.59	11.98	12.26	12.80	13.14

Estimated volume total, Calls 2 Puts 50
Previous day's open int, Calls 1,272 Puts 2,359

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last June	July	Aug.	Sept.	Puts—Last June	July	Aug.	Sept.
1.600	2.70	3.70	4.50	5.00	0.50	1.65	2.50	3.00
1.625	1.25	2.35	3.10	3.60	1.00	2.40	3.60	4.30
1.650	0.30	1.50	2.10	2.60	2.65	4.00	4.80	5.70
1.675	0.15	0.95	1.70	—	4.90	5.90	6.70	—
1.700	0.05	0.50	1.05	1.45	7.30	7.90	8.50	9.00
1.725	—	0.40	0.60	0.95	9.70	10.10	10.60	11.00
1.750	—	0.15	0.40	0.65	12.20	12.40	12.80	13.10

Previous day's open int: Calls 106,604 Puts 80,593
Previous day's volume, Calls 13,392 Puts 1,867

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last June	July	Aug.	Sept.	Puts—Last June	July	Aug.	Sept.
1.600	3.05	4.00	4.70	5.20	0.35	1.45	2.35	2.80
1.625	1.20	2.50	3.40	3.90	0.90	2.40	3.45	4.00
1.650	0.40	1.70	2.35	2.80	2.35	3.70	4.80	5.45
1.675	0.20	0.90	1.70	—	4.50	5.55	6.45	—
1.700	0.05	0.50	1.10	1.50	6.75	7.45	8.25	8.65
1.725	—	0.40	0.75	1.05	9.75	9.65	10.15	10.65
1.750	—	0.15	0.45	0.75	11.55	11.95	12.45	12.65

Previous day's open int: Calls 111,293 Puts 85,973
Previous day's volume, Calls 7,605 Puts 8,998

£ IN NEW YORK

June 5	Close	Previous Close
£ Spot	1.6290-1.6300	1.6275-1.6285
1 month	0.24-0.23 pm	0.24-0.23 pm
3 months	0.63-0.61 pm	0.62-0.59 pm
12 months	1.34-1.27 pm	1.45-1.35 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	June 5	Previous
8.30 am	72.7	72.5
9.00 am	72.7	72.5
10.00 am	72.7	72.5
11.00 am	72.7	72.5
Noon	72.6	72.5
1.00 pm	72.7	72.5
2.00 pm	72.7	72.5
3.00 pm	72.6	72.5
4.00 pm	72.6	72.5

CURRENCY RATES

June 5	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.79006	0.701053
U.S. Dollar	5.5	1.2902	1.14552
Canadian $	7.90	*	1.53981
Austrian Sch.	4	N/A	14.5733
Belgian Franc	7¾	"	42.9857
Danish Krone	7	"	7.80329
Deutsche Mark	3.0	2.3370	2.07339
Neth. Guilder	4½	N/A	2.33686
French Franc	9½	7.8149	6.93326
Italian Lira	11.5	N/A	1502.06
Japanese Yen	2½	185.40	164.096
Norway Krone	8	N/A	7.68931
Spanish Peseta	—	"	144.565
Swedish Krona	7½	"	7.23053
Swiss Franc	3.5	"	1.71828
Greek Drach.	20½	"	155.161
Irish Punt	—	"	0.774524

*C$/SDR rate for June 4: 1.72648

CURRENCY MOVEMENTS

June 5	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.6	−20.9
U.S. Dollar	101.7	−5.3
Canadian Dollar	77.0	−11.5
Austrian Schilling	138.0	+10.3
Belgian Franc	100.1	−4.4
Danish Krone	93.3	+3.5
Deutsche Mark	146.9	+21.7
Swiss Franc	173.1	+22.8
Guilder	135.1	+14.4
French Franc	71.5	−13.0
Lira	47.2	−18.2
Yen	221.9	+65.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

June 5	£	$
Argentina	2.6555-2.6670	1.6290-1.6350
Australia	2.2795-2.2825	1.3980-1.3990
Brazil	57.5100-57.8300	35.2790-35.4550
Finland	7.1675-7.1880	4.4010-4.4030
Greece	219.30-223.15	134.15-136.45
Hong Kong	12.7235-12.7410	7.8060-7.8070
Iran	117.20*	70.90*
Korea (Sth)	1330.90-1342.95	817.90-824.50
Kuwait	0.45900-0.45960	0.28130-0.28140
Luxembourg	61.30-61.40	37.55-37.65
Malaysia	4.0675-4.0750	2.4955-2.4970
Mexico	2081.75-2104.25	1277.00-1290.00
N. Zealand	2.8160-2.8210	1.7270-1.7290
Saudi Ar.	6.1205-6.1260	3.7505-3.7515
Singapore	3.4410-3.4475	2.1110-2.1125
S. Af. (Cm)	3.2775-3.2925	2.0120-2.0160
S. Af. (Fn)	5.4360-5.6235	3.3335-3.4485
Taiwan	50.80-51.05	31.25-31.35
U.A.E.	5.9935-5.9990	3.6725-3.6735

*Selling rate

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6310	1.6267	1.6249	1.6214	1.6178
D-mark	2.9575	2.9449	2.9202	2.8851	2.8156
French Fr.	9.8925	9.8895	9.8887	9.8889	9.8800
Swiss Fr.	2.4525	2.4431	2.4228	2.3942	2.3385
Yen	234.50	233.52	231.58	228.91	223.62

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.9857	+1.24	+0.70	±1.5344
Danish Krone	7.85212	7.80329	−0.62	−1.16	±1.6404
German D-Mark	2.05853	2.07339	+0.72	+0.18	±1.0981
French Franc	6.90403	6.93326	+0.42	−0.12	±1.3674
Dutch Guilder	2.31943	2.33686	+0.75	+0.21	±1.5012
Irish Punt	0.768411	0.774524	+0.80	+0.26	±1.6684
Italian Lira	1483.58	1502.06	+1.25	+1.17	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency.
Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

June 5	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.631	2.958	234.5	9.893	2.453	3.333	2142.	2.193	61.35
$	0.613	1.	1.814	143.8	6.065	1.503	2.043	1313.	1.344	37.60
DM	0.338	0.551	1.	79.29	3.345	0.829	1.127	724.1	0.741	20.74
YEN	4.264	6.955	12.61	1000.	42.19	10.46	14.21	9132.	9.350	261.6
F Fr.	1.011	1.649	2.990	237.0	10.	2.479	3.369	2165.	2.216	62.02
S Fr.	0.408	0.665	1.206	95.62	4.034	1.	1.359	873.2	0.894	25.02
H Fl.	0.300	0.489	0.887	70.37	2.968	0.736	1.	642.6	0.658	18.41
Lira	0.467	0.762	1.381	109.5	4.619	1.145	1.556	1000.	1.024	28.65
C $	0.456	0.744	1.349	107.0	4.512	1.119	1.520	976.7	1.	27.98
B Fr.	1.630	2.659	4.821	382.2	16.12	3.998	5.432	3491.	3.574	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

EURO-CURRENCY INTEREST RATES

June 5	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	8⅞-9	8⅞-9⅛	8 13/16-8 15/16	8¾-8⅞	8¾-8⅞	9-9⅛
U.S. Dollar	6 3/16-6 5/16	6 11/16-6 13/16	7-7⅛	7⅛-7¼	7 3/16-7 5/16	8-8⅛
Can. Dollar	8⅛-8⅜	8⅛-8⅜	8¼-8½	8¼-8½	8⅜-8⅝	8¾-9
D. Guilder	5⅛-5¼	5⅛-5¼	5 3/16-5 5/16	5 3/16-5 5/16	5¼-5⅜	5⅛-5¼
Sw. Franc	1⅞-2	1⅛-2	4⅛-4¼	3⅞-4	3 11/16-3 13/16	3⅞-4
Deutschmark	3⅛-3 5/16	3½-3⅝	3⅝-3¾	3 11/16-3 13/16	3⅝-3¾	3¾-3⅞
Fr. Franc	7 13/16-8 1/16	8-8¼	8 1/16-8 5/16	8¼-8½	8⅝-8¾	8⅞-9
Italian Lire	9-11	9-10	10-10½	10-10½	10⅛-10½	10½-11
B. Fr. (Fin.)	6⅛-6¼	6 13/16-6 15/16	6 13/16-6 15/16	6⅞-7	7⅛-7¼	7¼-7⅜
B. Fr. (Con.)	6½-6¾	6⅝-6⅞	6¾-7	6¾-7	7-7¼	7¼-7½
Yen	3⅛-3⅜	3 3/16-3⅜	3 5/16-3 7/16	3 11/16-3⅞	3 13/16-3 15/16	3⅞-4
D. Krone	9⅞-10½	10⅛-10½	10⅛-10½	9⅞-10¼	9⅞-10¼	10⅛-10¼
Asian $Sing	1½-2	N/A	4⅛-4½	4½-4⅝	4⅝-4¾	4¾-4⅞

Long-term Eurodollars: Two years 8½-8⅝ per cent; three years 8¾-9 per cent; four years 8⅞-9⅛ per cent; five years 9-9¼ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT—FORWARD AGAINST THE POUND

June 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6290-1.6365	1.6305-1.6315	0.25-0.22c pm	1.73	0.64-0.59 pm	1.51
Canada	2.1891-2.1969	2.1920-2.1930	0.13-0.03c pm	0.44	0.25-0.09 pm	0.31
Netherlands	3.32¼-3.33¼	3.32¼-3.33¼	1¼-⅞c pm	3.60	3¼-2⅞	3.68
Belgium	61.21-61.41	61.30-61.40	13-7c pm	1.96	36-26 pm	2.02
Denmark	11.10½-11.14¼	11.12¼-11.13¼	⅞-1⅝ore dis	−1.35	2⅛-3⅝ pm	1.15
Ireland	1.1025-1.1075	1.1040-1.1050	0.20-0.27 p dis	−2.55	0.55-0.74 pm	2.34
W. Germany	2.95¼-2.96¼	2.95¼-2.96¼	1⅜-1¼pf pm	5.07	4-3¾ pm	5.24
Portugal	229.20-230.93	229.50-230.40	66-149c dis	−5.61	289-407 dis	−6.05
Spain	206.00-206.40	206.00-206.30	85-135c dis	−6.40	273-359 dis	−6.13
Italy	2137¼-2148¼	2141-2142	1-4 lire dis	−1.40	5-10 dis	−1.40
Norway	10.93½-10.97¼	10.96-10.97	4⅝-5¼ ore dis	−5.27	14⅞-15¼ dis	−5.59
France	9.88-9.90¼	9.88¼-9.89¼	⅛-⅛ c pm	0.76	1½-⅞cpm	0.48
Sweden	10.28¾-10.32¼	10.30¼-10.31¼	Par-½ ore dis	−0.29	1⅛-2¼ dis	−0.78
Japan	233¼-235	234-235	1-⅞ y pm	4.80	3-2⅞ pm	5.01
Austria	20.75-20.82	20.75-20.78	8⅞-7⅛ gro pm	4.80	25¼-23¼ pm	4.73
Switzerland	2.44¼-2.45¾	2.44¾-2.45¾	1⅛-⅞ c pm	4.89	3¼-3 pm	9.09

Belgian rate is for convertible francs. Financial franc 61.35-61.45. Six-month forward dollar 0.99-0.94 c pm. 12-month 1.37-1.27c pm.
Correction for June 4, Sweden close 10.28¾-10.29¾

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

June 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6290-1.6365	1.6305-1.6315	0.25-0.22c pm	1.73	0.64-0.59 pm	1.51
Ireland†	1.4755-1.4800	1.4765-1.4775	0.55-0.50c pm	4.26	1.45-1.30 pm	3.72
Canada	1.3418-1.3455	1.3430-1.3440	0.14-0.17c dis	−1.38	0.38-0.43 dis	1.21
Netherlands	2.0370-2.0440	2.0425-2.0435	0.33-0.31c pm	1.88	1.09-1.06 pm	2.11
Belgium	37.48-37.65	37.55-37.65	1¼pm-½c dis	0.28	3½-2 pm	0.88
Denmark	—	6.82¼-6.82¾	1.10-1.80ore dis	2.55	3.60-4.30 dis	2.32
W. Germany	1.8065-1.8140	1.8130-1.8140	0.53-0.48pf pm	3.35	1.65-1.60pm	3.59
Portugal	141-141½	141¼-141½	60-110c dis	−7.53	230-300 dis	−7.83
Spain	126.10-126.47	126.35-126.45	70-100c dis	−8.08	215-265 dis	−7.60
Italy	1310-1313½	1312¾-1313¾	3.30-3.70lire dis	−3.20	9.50-10.25dis	−3.01
Norway	6.68½-6.72½	6.72-6.72½	3.80-4.30ore dis	−7.25	11.90-12.40dis	−7.25
France	6.04¼-6.06¼	6.06¼-6.06¾	0.55-0.62c dis	−1.16	1.80-1.95 dis	1.24
Sweden	6.30-6.32½	6.31¾-6.32¼	1.00-1.30ore dis	−2.19	3.55-3.95 dis	2.28
Japan	143.00-143.85	143.75-143.85	0.41-0.39y pm	3.35	1.27-1.24 pm	3.50
Austria	12.70¼-12.74¼	12.73¼-12.74¼	3.40-3.00gro pm	3.02	10.25-9.25 pm	3.06
Switzerland	1.4970-1.5050	1.5025-1.5035	0.38-0.35c pm	2.92	1.27-1.24 pm	3.34

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.60-37.70

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
June	126-06	126-01	125-28	125-09
Sept.	126-05	126-13	125-25	125-08
Dec.	125-31	—	—	125-02

Estimated volume 18,930 (33,648)
Previous day's open int. 27,383 (25,658)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
June	—	—	—	—

Estimated Volume 0 (0)
Previous day's open int. 0 (0)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
June	91.20	91.20	91.15	91.08
Sept.	91.30	91.30	91.23	91.15
Dec.	91.11	91.13	91.06	91.01
Mar.	90.92	90.96	90.91	90.85
June	90.78	90.84	90.75	90.71
Sept.	90.69	90.68	90.60	90.62

Estimated Volume 6,255 (10,007)
Previous day's open int. 22,967 (23,328)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
June	225.00	226.00	224.45	222.80
Sept.	229.50	230.50	229.00	226.80

Estimated volume 1,107 (2,077)
Previous day's open int. 7,418 (7,071)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
June	92.76	92.76	92.68	92.70
Sept.	92.18	92.20	92.08	92.11
Dec.	91.84	91.86	91.74	91.78
March	91.62	91.62	91.53	91.58
June	91.43	91.40	91.40	91.39
Sept.	91.28	—	—	91.24
Dec.	91.14	—	—	91.10
Mar.	91.01	—	—	90.97

Estimated volume 6,045 (6,348)
Previous day's open int. 33,627 (33,615)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
June	91-07	91-07	90-10	90-24
Sept.	90-05	90-07	89-04	89-22
Dec.	89-07	—	—	88-24

Estimated Volume 5,739 (4,448)
Previous day's open int. 3,540 (3,492)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6310	1.6287	1.6249	1.6214	1.6178

IMM—STERLING $s per £

	Close	High	Low	Prev
June	1.6275	1.6350	1.6270	1.6280
Sept.	1.6225	1.6295	1.6210	1.6225
Dec.	1.6180	1.6260	1.6170	1.6185
Mar.	1.6170	—	—	1.6170

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.6302	1.6350	1.6350	1.6240
Sept.	1.6245	1.6284	1.6284	1.6185
Dec.	1.6206	—	—	1.6145

Estimated volume 22 (7)
Previous day's open int 686 (691)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
June	91-24	91-25	90-16	90-20
Sept.	90-21	90-23	89-12	89-17
Dec.	89-23	89-23	88-17	88-19
Mar.	88-28	88-28	87-24	87-24
June	88-04	88-04	87-17	86-31
Sept.	87-14	87-14	86-26	86-09
Dec.	86-26	86-26	85-30	85-21
Mar.	86-09	86-09	85-12	85-03
June	85-25	—	—	84-04
Sept.	85-10	—	—	83-22
Dec.	85-00	—	—	—

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Sept.	93.53	93.54	93.38	93.42
Dec.	93.17	93.19	92.98	93.01
Mar.	92.92	92.92	92.85	92.79
June	94.35	94.40	94.29	94.25
Sept.	92.59	92.57	—	92.46
Dec.	92.45	92.43	—	92.32
Mar.	92.33	92.31	—	92.20
June	92.74	92.75	92.68	92.61

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Close	High	Low	Prev.
June	0.6638	0.6682	0.6635	0.6655
Sep.	0.6696	0.6741	0.6693	0.6713
Dec.	0.6758	0.6807	0.6753	0.6777
Mar.	0.6825	0.6835	0.6835	0.6840

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Close	High	Low	Prev.
June	0.6958	0.6993	0.6951	0.6943
Sept.	0.7017	0.7054	0.7010	0.7002
Dec.	0.7081	0.7113	0.7071	0.7066
Mar.	0.7153	—	—	0.7138
Jun.	0.7233	—	—	0.7218

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Close	High	Low	Prev.
June	0.5507	0.5534	0.5505	0.5512
Sept.	0.5556	0.5585	0.5555	0.5561
Dec.	0.5610	0.5636	0.5606	0.5616
Mar.	0.5665	—	—	0.5672

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev.
June	92.78	92.79	92.68	92.71
Sept.	92.20	92.24	92.07	92.10
Dec.	91.88	91.92	91.74	91.78
Mar	91.66	91.70	91.53	91.56
June	91.48	91.52	91.35	91.38
Sept.	91.33	91.36	91.20	91.23
Dec.	91.19	91.21	91.05	91.09
Mar.	91.07	91.09	90.94	90.97

STANDARD & POORS 500 INDEX
$500 times index

	Close	High	Low	Prev.
June.	293.10	295.60	292.60	295.20
Sept.	295.00	297.50	294.35	297.10
Dec.	297.20	299.70	296.75	299.40
Mar.	299.20	301.70	300.30	301.40

MONEY MARKETS

Polls create a little nervousness

INTEREST RATES in London showed a little nervousness last week, but the money market continued to believe there would be a further period of Conservative government after this Thursday's UK election.

At one time a Gallup poll cut the Conservative lead over Labour to only 4 points, and there was conflict between a survey conducted by BBC's Newsnight and NOP about support for the parties in marginal seats.

But on Friday Marplan's poll put the Tory lead at 10 points, and the daily Harris poll said 11 points. This suggested a comfortable Conservative majority in the next parliament.

Movements in the opinion polls tended to be reflected more in prices of gilts and equities, rather than interest rates.

Three-month interbank finished the week unchanged at 8⅞ per cent, with the lack of movement in rates mirroring the steady performance of sterling on the foreign exchanges.

UK clearing bank base lending rate 9 per cent since May 8

The pound held at around $1.63 and weakened only slightly against the D-Mark. The exchange rate index was also little changed at 72.6.

The rise of a record $4.76bn in May UK official reserves, was about twice as much as expected, and compared with $2.9bn in April. It did not reflect recent action by the Bank of England, when there has been no need for the authorities to sell sterling, but probably followed moves by the authorities to prevent the pound from rising earlier last month.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 5) 3 months U.S. dollars		6 months U.S. dollars	
bid 7 3/16	offer 7 5/16	bid 7½	offer 7⅝

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

	June 5	May 29		June 5	May 29
Bills on offer	£400m	£400m	Top accepted rate of discount	8.3830%	8.5234%
Total of applications	£1,525m	£1,284m	Average rate of discount	8.3830%	8.4947%
Total allocated	£400m	£400m	Average yield	8.56%	8.68%
Minimum accepted bid	£97.91	£97.875	Amount on offer at next tender	£400m	£400m
Allotment at minimum level	100%	94%			

WEEKLY CHANGE IN WORLD INTEREST RATES

	June 5	change		June 5	change
LONDON			**NEW YORK**		
Base rates	9	Unch'd	Prime rates	8¼	Unch'd
7 day Interbank	8 13/16	−1/32	Federal Funds	6⅝	Unch'd
3-month Interbank	8⅞	Unch'd	3 Mth. Treasury Bills	5.83	Unch'd
Treasury Bill Tender	8.3830	−0.1117	6 Mth. Treasury Bills	6.26	−0.19
Band 1 Bills	8⅞	Unch'd	3 Mth. C D	7.03	−0.05
Band 2 Bills	8⅞	Unch'd	**FRANKFURT**		
Band 3 Bills	—	—	Lombard	5.0	Unch'd
Band 4 Bills	—	—	One mth. Interbank	3.65	−0.05
3 Mth. Treasury Bill	8 13/32	−1/16	Three month	3.70	Unch'd
1 Mth. Bank Bills	8 13/32	−1/32	**PARIS**		
3 Mth. Bank Bills	8 15/32	−1/32	Intervention Rate	7¾	Unch'd
TOKYO			One mth. Interbank	8⅛	+1/16
One month Bills	3.71875	0.0625	Three month	8¼	+1/16
Three month Bills	3.65625	Unch'd	**MILAN**		
BRUSSELS			One month	11⅛	Unch'd
One month	6 11/16	−1/16	Three month	10¾	Unch'd
Three month	7	−1/16	**DUBLIN**		
AMSTERDAM			One month	11½	−1/16
One month	5 5/16	Unch'd	Three month	11¼	+1/16
Three month	5⅜	Unch'd			

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
		One month	N/A	Three year	7.90
		Two month	N/A	Four year	8.03
Prime rate	8¼	Three month	5.84	Five year	8.13
Broker loan rate	8	Six month	6.29	Seven year	8.35
Fed. funds	6⅝	One year	6.90	10 year	8.50
Fed funds at intervention	6 11/16	Two year	7.64	30 year	8.66

June 5	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.25-3.45	3.60-3.70	3.65-3.75	3.65-3.75	3.65-3.80	5.0
Paris	7 13/16-8	8 1/16-8 3/16	8⅛-8¼	8 3/16-8 5/16	8¼-8⅜	7¾
Zurich	⅞-1⅛	3⅞-4⅛	—	4-4⅛	—	—
Amsterdam	5 5/16-5 7/16	5⅛-5¼	—	5⅛-5¼	—	—
Tokyo	3.21875	3.71875	—	3.65625	—	—
Milan	10⅛-10⅞	10⅞-11⅞	—	10½-11	—	—
Brussels	5.85	6⅞-7	—	6 15/16-7 1/16	—	—
Dublin	10⅞-11⅛	11⅛-11⅝	11¼-11½	11¼-11⅜	11⅛-11⅜	—

LONDON MONEY RATES

June 5	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10-8	9 1/16-8⅞	8 13/16-8 11/16	8 15/16-8 13/16	8 13/16-8 11/16	9⅛-9
Sterling CDs	—	—	8 13/16-8 11/16	8¾-8⅝	8 13/16-8 11/16	8¾-8⅝
Local Authority Deposits	9⅛-9	9⅛	8 13/16	8¾	8¾	9
Local Authority Bonds	—	—	8 13/16	8 13/16	9	9⅛
Discount Mkt Deposits	9⅛-8¼	8 13/16	8¼	8½	—	—
Company Deposits	9¼-9⅛	9⅛-9	9⅛-8 13/16	8⅞	8⅞	9⅛
Finance House Deposits	—	—	8 13/16	8⅞	8⅞	9 3/16
Treasury Bills (Buy)	—	—	8 13/16	8	—	—
Bank Bills (Buy)	—	—	8 13/32	8 15/32	8 15/32	—
Fine Trade Bills (Buy)	—	—	9 13/32	9 13/32	9 3/16	—
Dollar CDs	—	—	7.20-7.15	7.20-7.15	7.45-7.40	7.95-7.90
SDR Linked Deposits	—	—	6⅛-5⅞	6 3/16-5 15/16	6 7/16-6 3/16	6⅝-6⅜
ECU Linked Deposits	—	—	6¾-6⅝	6 13/16-6 11/16	7-6⅞	7⅛-7

Treasury Bills (sell); one-month 8 11/32 per cent; three-months 8 13/32 per cent; Bank Bills (sell): one-month 8 13/32 per cent; three months 8½ per cent; Treasury Bills; Average tender rate of discount 8.3830 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 29, 1987. Agreed rates for period June 24 to July 25, 1987, Scheme I: 10.54 p.c., Schemes II & III: 10.12 p.c. Reference rate for period May 1 to May 29, 1987, Scheme IV: 8.873 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9½ per cent from June 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent, one-three months 8¼ per cent; three-six months 8⅜ per cent; six-nine months 8¼ per cent; nine-12 months 8⅞ per cent; Under £100,000 8 per cent from June 4. Deposits withdrawn for cash 5 per cent.